DOCUMENT RESUME

ED 304 559 CE 052 087

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TITLE New Jersey. The Demonstration of State Work/Welfare Initiatives. Final Report on the Grant Diversion Project.
INSTITUTION Manpower Demonstration Research Corp., New York, N.Y.
SPONS AGENCY Ford Foundation, New York, N.Y.; New Jersey State Dept. of Human Services, Trenton.
PUB DATE Nov 88
NOTE 236p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC10 Plus Postage.
DESCRIPTORS *Employment Programs; Federal Programs; Mothers; One Parent Family; *On the Job Training; Postsecondary Education; Program Effectiveness; *State Programs; *Welfare Recipients; Welfare Services
IDENTIFIERS New Jersey; *Wage Subsidies; *Work Incentive Demonstration Program

ABSTRACT

A study analyzed the implementation, impact, and cost-effectiveness of an on-the-job training (OJT) program for recipients of Aid to Families with Dependent Children (AFDC) in New Jersey, operated as part of the state's Work Incentive (WIN) Demonstration system. Enrollees in the program, mostly female single heads of household, were placed with employers for six months of training, with half their wages paid by the state for the trial period. They were to be hired after the six months if they worked satisfactorily. New Jersey used a process known as welfare grant diversion to finance the wage subsidies. An experimental group and a group of similar women who did not participate in the program were compared. The study found that approximately 200 people were placed in jobs, with slightly more than half completing the subsidy period. All but one of those completing the subsidized period were retained as unsubsidized employees. The OJT program led to substantial employment gains in the first two quarters after random assignment; the gains then declined sharply. The OJT program completers earned 22 percent higher wages than average for the control group. The OJT group spent fewer months on AFDC and received $265 less in welfare payments in the first year after the experiment. The study concluded that the program could be expected to pay for itself within about two and one-half years, with savings thereafter, and it benefitted those enrolled in it. (KC)

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# NEW JERSEY

## The Demonstration Of State Work/Welfare Initiatives

# Final Report On The Grant Diversion Project

Stephen Freedman
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# NEW JERSEY:
# Final Report On The Grant Diversion Project

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Manpower Demonstration
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November, 1988

The Manpower Demonstration Research Corporation's evaluation of New Jersey's On-the-Job-Training Program for welfare recipients is funded in part by a contract from the New Jersey Department of Human Services, and in part by a grant from the Ford Foundation. The findings and conclusions stated in this report do not necessarily represent the official positions or policies of the funders.

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ACKNOWLEDGEMENTS

The evaluation of New Jersey's OJT program has benefited from the contributions of many people in New Jersey and at MDRC.

Of critical importance was the commitment of Sybil Stokes and Rowena Bopp of the New Jersey Department of Human Services (DHS) and Sally Hall of the New Jersey Department of Labor (DOL), Employment Services Division. Each of these administrators was instrumental in developing the project, helping to put the research design into place, overseeing its operation, and assisting MDRC's research effort. They, along with Janet DeGraaf of DHS, reviewed an earlier draft of this report. Their comments and suggestions helped improve its accuracy and clarity.

A number of persons facilitated MDRC's access to and use of state automated records data, among them: Ron Exner, Lafayette Riddick, Gene D'Agostino, and John Fedynyshin of DHS; and Steven Reenstra, Michael Lysak, and Dennis Cifranic of DOL. Sybil Stokes and Sally Hall provided MDRC with a wealth of documents on OJT and WIN enrollment and expenditures and spent many hours answering questions about the operation of these programs. Alexandra Goodman of DHS, Bureau of Employment Programs, coordinated collection of childcare payment records and provided MDRC with New Jersey DHS, Bureau of Employment Programs expenditure reports. Kathy Morris of DOL, Bureau of Collateral Claims, facilitated collection of Training Related Expense payment records. Ernest Rogers of DHS, Division of Medical Assistance and Health Services, supplied Medicaid expenditure data. Janet DeGraaf of DHS provided invaluable assistance to MDRC's data quality control efforts and, in a number of conversations, expanded the researchers' understanding of the grant diversion funding mechanism, the operation of the OJT program, and casework and recordkeeping practices in the WIN system. Special thanks go to the OJT job developers, whose interviews were the key source for the discussion of OJT program implementation, and to the county DHS and WIN staffs who helped with data collection and quality control.

New Jersey's OJT program was one of six AFDC grant diversion projects funded with special demonstration funds from the federal Office of Family Assistance. In implementing the evaluation, MDRC benefited from the support and encouragement of Howard Rolston, currently with the Family Support Administration, U.S. Department of Health and Human Services, and other staff at OFA.

At MDRC, Judith Gueron, as principal investigator of the Demonstration of State Work/Welfare Initiatives and president of MDRC, has guided the entire study. Barbara Goldman, as manager of the cross-state effort, has also played a leadership role throughout the research. Both provided a comprehensive review of the whole report. Michael Bangser helped draft the Executive Summary and Chapter I and reviewed the report. Daniel Fried-

lander, David Long, and Patricia Auspos, as senior reviewers, made important suggestions for improving the quality of the research and the presentation of the findings. James Healy, as Manager of Operations and Development, played the pivotal role in monitoring the implementation of the demonstration and was the principal liaison between MDRC and state and county administrators.

In MDRC's Information Services Department, Karen Paget and Darlene Hasselbring designed and supervised data processing systems and procedures with the assistance of Anita Kraus and Shirley James. In the Research Department, Mark Levenson programmed and helped to analyze the impact data, and Johanna Walter and Rudd Kierstead performed the same role for the benefit-cost analysis. David Jaeger programmed the process chapter tables. Sara Cohen supervised and coordinated the production of the report tables and graphs, assisted by Rachel Woolley. Gerald Lombardi edited the report with the assistance of Alex Kopelman. Patt Pontevolpe, Claudette Edwards, and Amy Cowell contributed their word processing skills and infinite patience.

The authors gratefully acknowledge the ongoing interest and guidance of Gordon Berlin, formerly of the Ford Foundation and currently First Deputy Administrator for Policy at the New York City Human Resources Administration, the members of MDRC's Board of Directors, and a special Advisory Committee to MDRC's Demonstration of Work/Welfare Initiatives.

The Authors

## PREFACE

This is the final report on MDRC's evaluation of New Jersey's Grant Diversion Project, an on-the-job training (OJT) program for recipients of Aid to Families with Dependent Children (AFDC). Operated as a small-scale, voluntary program, it was one of several employment and training services available to AFDC recipients through the New Jersey Work Incentive (WIN) Demonstration system.

The New Jersey evaluation, and an earlier study of Maine's Training Opportunities in the Private Sector (TOPS) Program, provided an opportunity for MDRC to examine the results of a voluntary program as part of its multi-state Demonstration of State Work/Welfare Initiatives. The other programs evaluated in this multi-year, large-scale series of studies (in Arkansas, California, Illinois, Maryland, Virginia, and West Virginia) were all mandatory, generally low- or moderate-cost initiatives that served a broad segment of the WIN caseload. Like other OJT programs, New Jersey's initiative was intended to provide welfare recipients with access to jobs that paid higher wages and offered greater opportunities for stable employment and career advancement than jobs they would have normally obtained through their own initiative. The New Jersey evaluation is also of interest because, as in Maine, New Jersey paid for OJT wage subsidies through an innovative funding process known as grant diversion. Under grant diversion, funds formerly allocated to AFDC grants are used instead to subsidize a share of the OJT wages.

The Demonstration of State Work/Welfare Initiatives is a unique opportunity for MDRC to work with states in evaluating their employment programs and to examine a subject of national and state concern: the

critical relationship between work and welfare dependency. Addressing state issues in a manner that benefits policy at many levels is a challenge that MDRC is privileged to undertake.

The demonstration documents a shift in responsibility from the federal government to the states. The individual studies evaluate the initiatives designed and implemented by the states under the provisions of the Omnibus Budget Reconciliation Act of 1981. This authorized states to operate Community Work Experience Programs (CWEP) for AFDC and to streamline the administration of the Work Incentive (WIN) systems. Since states responded to these options in different ways, the demonstration is not built around a single model. Rather, the evaluations focus on initiatives that represent some of the major variations being tried in this country, spanning a range of local economic conditions and AFDC provisions.

MDRC could not have conducted this multi-year study without the support of The Ford Foundation, which provided funds for planning and for the evaluation activities of the participating states, matching an equal investment of state or other resources. This joint funding is another significant aspect of the demonstration.

Throughout this demonstration MDRC has been gratified by the commitment of the participating states and foundations and their interest in the findings. It is our hope that this demonstration and its results have contributed to informed decision-making and will ultimately lead to even more effective programs, which will increase the self-sufficiency of welfare recipients.

Judith M. Gueron
President

## EXECUTIVE SUMMARY

This report analyzes the implementation, impact, and cost-effectiveness of an on-the-job training (OJT) program for recipients of Aid to Families with Dependent Children (AFDC) in New Jersey. The program was operated as a small-scale, voluntary component within the broader range of employment and training services offered to welfare recipients through the state's Work Incentive (WIN) Demonstration system. Thus, the evaluation addresses one program option, not the WIN Demonstration system as a whole.

Enrollees in the program, mostly female single heads of household, were eligible for placement in OJT positions with local employers. These employers (mainly in the private sector) agreed to hire one or more welfare recipients on a trial basis for a specified period of up to six months, with the understanding that individuals who performed satisfactorily during the trial period would then be retained as regular full-time employees. In return, the state reimbursed employers for half the wages paid to OJT employees during the trial period.

New Jersey used a process known as welfare grant diversion to finance the wage subsidies offered to OJT employers. The state's reliance on this funding mechanism was reflected in the program's official name, the WIN Grant Diversion Project. Nevertheless, the focus of this report is on the effectiveness of the OJT program rather than the details of the grant diversion funding mechanism, which was merely the way the state elected to pay for the OJT wage subsidies.

## Overview of Research Questions and Findings

This study assesses the effects of adding an OJT component to the existing system of employment-related activities for welfare recipients registered with WIN. It does so by comparing the employment, earnings, and welfare receipt for two groups who differed only in the program services available to them. The first (called the "experimental group" in this study) was eligible for OJT positions, as well as the normal array of services under the WIN and Job Training Partnership Act (JTPA) systems. The second group (called the "control group") was also eligible for WIN and JTPA services, but not for the WIN OJT component. Approximately 43 percent of the experimentals actually worked in OJT positions, and many within both the experimental and control groups received other WIN or JTPA services.

About 82 percent of experimentals and 75 percent of controls were employed at some point during the first year of follow-up. The higher employment rate for experimentals resulted directly from their entering subsidized OJT positions. By the second year of follow-up, when almost all the experimentals had completed their OJT subsidy period, there was no significant remaining difference in the percentage of experimentals and controls who were employed, but the experimentals averaged $468 more in total earnings -- a 15 percent gain. This suggests that while the program did not produce sustained increases in the number of people with jobs, it did lead to jobs which either paid higher wages or provided more hours of work even after experimentals had completed the OJT subsidy period. The earnings gains were accompanied by welfare savings, which peaked during the third through sixth quarters of follow-up and averaged $238 (or 11 percent of the control group mean) in the second year.

Because the increase in earnings was greater than the reduction in welfare payments, the experimentals were made better off financially. It also appears that, from the perspective of government budgets, the program could be expected to pay for itself.

Program Context

The OJT program which is the subject of this study operated from October 1984 through June 1987. This was not, however, New Jersey's first effort to provide OJTs to welfare recipients. Indeed, the state had previously operated a larger-scale OJT program that was curtailed in the early 1980s due to reduced federal funding for the WIN program. In 1984, New Jersey partially restored its OJT program after becoming one of six states chosen by the federal Office of Family Assistance (OFA) to participate in a demonstration of programs that used welfare grant diversion to fund wage subsidies.

Administrative responsibilities for the OJT program were shared between the New Jersey Department of Human Services (DHS) and the New Jersey Department of Labor's (DOL) Division of Employment Services (ES). ES staff were primarily responsible for developing OJT positions for program enrollees. DHS staff were primarily responsible for operating the grant diversion funding mechanism.

The OJT program was operated in nine of New Jersey's 21 counties -- Atlantic, Burlington, Camden, Essex, Hudson, Mercer, Middlesex, Monmouth, and Passaic. Seven counties began the program in October 1984; Hudson and Middlesex began in mid-1985. New Jersey's largest cities are included in these counties, as are a number of smaller industrial and commercial towns.

All of these counties shared in New Jersey's economic expansion during the mid-1980s, with each experiencing a declining unemployment rate. However, these counties also included several areas of continued high unemployment.

Enrollment in New Jersey's OJT program was voluntary, but entry was restricted to adult AFDC recipients aged 18 and over who were single parents. Local ES job developers recruited program enrollees primarily from their county's active WIN caseload: that is, welfare recipients who were participating in or had recently completed a WIN employment or training activity. To be accepted into the program, recipients had to demonstrate interest in an OJT position and be considered employable by program staff. Both the experimentals and controls in this study could therefore be expected to receive more services and have higher rates of employment than the New Jersey AFDC caseload as a whole.

As in any OJT program, some of the individuals accepted in New Jersey's program did not actually work in OJT jobs. Enrollees -- both those who entered OJT positions and those who did not -- could take part in other WIN activities at any time after program intake. WIN activities included job search, work experience, and referral to remedial education or vocational training. Enrollees could also participate in training activities administered through the state's JTPA system.

## Research Design and Data Sources

A rigorous research design was used to determine the effects of adding the OJT component to the existing array of WIN and JTPA services. Half of the WIN registrants who applied for and were deemed appropriate for OJT employment were randomly assigned to an experimental group, which was

eligible for an on-the-job-training position as well as other WIN and JTPA services. The other half were assigned to a control group, which was not given access to OJT jobs but remained eligible for all other WIN and JTPA activities.

The evaluation therefore compares two program streams: regular WIN and JTPA services plus eligibility for an OJT position versus regular WIN and JTPA services alone. The report does not estimate the effect of offering only on-the-job training, as would have been the case if those in the OJT program were not eligible for any other services. It also does not evaluate the activities the experimentals engaged in compared to a "no-service" control group.

The impact of the program was estimated by comparing the post-random assignment employment, earnings, and welfare receipt for the experimental and control groups. Because the groups were equivalent except for the services available to them, any statistically significant differences between the outcomes for the two groups could confidently be attributed to experimentals' eligibility for OJT positions. Differences were considered to be statistically significant if there was no more than a 10 percent possibility that they would have occurred by chance.

The analysis relied on two automated data bases to measure program outcomes. New Jersey's Family Assistance Management Information System (FAMIS) provided records of monthly AFDC payments for each sample member from 12 months prior to random assignment through August 1987. Employment and earnings data were obtained from the state's automated Unemployment Insurance (UI) earnings system. However, since this system was not established until April 1985, complete employment and earnings data were

not available for people entering the research sample between October 1984 and March 1985. The employment and earnings data were reported on a quarterly basis, with each quarter representing a three-month block of time. The data were collected through the first quarter (i.e., March) of 1987.

Additional sources of data were used to measure OJT employment, participation in alternative WIN and JTPA activities, and the costs of the OJT program. These data sources included OJT employment records, Employment Security Automated Reporting System (ESARS) records, the JTPA Automated Reporting System records, and published data on program participation and costs. Administrative reports and documents, and interviews with program staff were the key sources for studying the implementation of the OJT program. Client Information Sheets (CIS), which were filled out by job developers during program intake, provided information on the characteristics of research sample members.

## Characteristics of the Full Research Sample

Sample members were a relatively disadvantaged group, according to the information recorded on the CIS. Three-quarters of the sample had been on welfare for at least two years during their lives and sample members averaged over 18 months of welfare receipt during the two years prior to random assignment. Over half had not worked in the two years before random assignment. The sample was comprised almost entirely of black and Hispanic single mothers.

Nevertheless, some factors suggested more favorable job prospects. Sixty percent of the sample reported having received a high school diploma

or GED, and 83 percent reported having worked at some point in their lives. Further, the 45 percent of the sample who had been employed at any time during the two years before random assignment reported working nearly 35 hours a week and earning an average of $4.50 per hour.

## The Need to Use Subsamples in the Analysis

Ideally, all questions of interest could have been addressed using the full research sample of 1,943 individuals randomly assigned between October 1984 and June 1986. In particular, the key questions are the program's impacts in the short term (i.e., the first year after random assignment) and longer term (i.e., beginning with the fifth quarter after random assignment, when almost all experimentals had completed their OJT subsidy period).

However, it was not possible to use the entire sample to answer both these questions for two reasons. First, as noted earlier, complete earnings data were not available for the 339 individuals randomly assigned before April 1985. Second, because the research schedule required fixed cut-off dates for data collection -- March 1987 for UI earnings records and August 1987 for AFDC payments records -- different lengths of follow-up were available for individuals depending on when they entered the research sample.

Therefore, the program's short-term impacts were determined by using a research sample of 1,604 people (called the short-term impact sample) that includes all individuals who were randomly assigned, except those entering the sample before April 1985 for whom UI earnings data were not available. To measure the program's longer-term impacts, it was necessary to use the

subsample of 994 individuals randomly assigned from October 1984 through September 1985. This early sample includes the only individuals for whom sufficiently long-term follow-up data were available, i.e., seven quarters of earnings data and eight quarters of AFDC data. The early sample is also the primary focus of the implementation and benefit-cost analyses.

On average, the early sample was somewhat less disadvantaged than both the research sample as a whole and the short-term impact sample. The early sample had less prior welfare receipt, more prior employment, and higher educational achievement. The more disadvantaged character of the sample members randomly assigned after September 1985 is associated with two changes that affected sample intake. First, improvements in New Jersey's economy during the second year of the program made it easier for more "job ready" individuals to find work on their own and left those with greater barriers to employment on the welfare rolls. Second, Hudson and Middlesex Counties began operating the program in the summer of 1985 and had a higher proportion of disadvantaged individuals.

## Findings on Program Implementation

- **The program averaged approximately 200 placements into OJT positions per year. Nearly 43 percent of all experimentals worked at some point in an OJT position.**

The New Jersey OJT program placed more enrollees in OJT jobs than any of the other five states chosen by OFA to run a grant diversion demonstration. However, the number of placements fell below anticipated levels and failed to reach the yearly averages recorded in New Jersey during the late 1970s. Program staff cited several factors that constrained the number of placements: high turnover among OJT job developers; lack of appro-

priate skills and motivation among some sample members; and lack of public transportation and day care facilities. The demonstration itself (which made members of the control group ineligible for OJT positions) was also cited as contributing to the program's inability to meet its original goal of 500 OJT placements per year.

The program's performance seemed to improve during its second year. Forty-five percent of experimentals randomly assigned between October 1985 and June 1986 worked in OJT jobs, compared to 41 percent of experimentals randomly assigned before that time. In addition, the average wait between random assignment and the start of OJT employment decreased from eight weeks during the first year to four weeks during the second year of operation.

- **Slightly over half of the experimentals who worked in OJT positions completed the subsidy period, which averaged ten weeks. All but one of those completing the OJT were retained as unsubsidized employees.**

According to data reported by the state, 56 percent of OJT employees completed their trial employment period. All but one of those who completed the trial period were retained as unsubsidized employees. Twenty-nine percent failed to complete the trial period for "good cause" reasons, such as inability to do the work; health, child care, or transportation problems; or quitting to take another job. Fifteen percent left their OJT jobs without good cause or were fired for excessive absences or lateness. OJT employees earned an average of $4.43 per hour at the start of their OJT jobs.

- **Within 12 months of random assignment, 84 percent of experimentals participated in at least one WIN or JTPA activity, including OJT employment. Although not eligible for OJT employment, 73 percent of controls participated in other WIN**

or JTPA activities within 12 months of random assignment.

For 13.2 percent of experimentals, OJT employment was the only program activity during the first year of follow-up. Another 26.6 percent combined OJT employment with participation in one or more alternative WIN or JTPA activities, usually before the start of their OJT jobs. A third group, comprising 44.1 percent of experimentals, took part in WIN or JTPA activities but did not work in OJT jobs. At some point during the first year after random assignment, about 62 percent of experimentals were active in a Job Club or in individual job search; 7 percent were employed in unpaid work experience jobs; and nearly 21 percent took part in education and training activities sponsored by JTPA.

Controls were also highly served and, except for OJT employment, their pattern of activities resembled that of experimentals. Over 66 percent of controls took part in job search, 8 percent in work experience, and 17 percent in JTPA. Although a slightly higher percentage of controls participated in job search and work experience, and a smaller percentage took part in JTPA, the experimental-control difference is less than 4 percentage points for each activity. Nearly a fifth of the control group participated in two or more activities.

The high rate of participation by controls in WIN and JTPA services indicated that if the OJT program had not been available, many of those who were interested in and suitable for it would have participated in other services.

- **New Jersey spent a total of $1,642 per experimental to provide OJT employment and alternative WIN and JTPA services. The cost of providing WIN and JTPA services to controls was $782 per person. The experimental-control (or net) difference in program costs was $860.**

The OJT program spent $348 per experimental ($853 per OJT employee) in wage subsidies to employers. OJT administrative costs were $500 per experimental ($1,226 per OJT employee). An additional $794 per experimental was expended for administration of job search, work experience, and training activities, as well as for general WIN and JTPA administrative costs.

As noted earlier, experimentals and controls had comparable overall levels of participation in services other than OJTs. The experimentals' lower use of alternative WIN services and lower payments for childcare and training expenses were offset by higher participation in JTPA activities. Since experimentals' access to OJT positions did not reduce their overall use of alternative services, the net cost of adding the OJT component to the existing delivery system ($860) was almost identical to the cost of the OJT wage subsidies and OJT administration ($847).

## Findings on Program Impacts

The impact findings described below should be interpreted in light of two key points. First, the impacts are analyzed from the perspective of the sample members, not of the government budget. Thus, no distinction is made between earnings from subsidized and unsubsidized jobs; similarly, AFDC expenditures for experimentals include only the payments made directly to them. The amounts diverted to subsidize OJT wages are not considered here, although they will be accounted for in the benefit-cost analysis discussed later.

Second, impacts for the first year after random assignment are estimated for a "short-term impact sample," which consists of individuals ran-

domly assigned from April 1985 through June 1986. Longer-term impacts (i.e., for the period beginning with the fifth quarter of follow-up and ending with the seventh quarter for earnings and the eighth quarter for AFDC payments) are estimated for an "early sample" of individuals randomly assigned from October 1984 to September 1985.

Short-term Impacts

- **The OJT program led to substantial employment gains in the first two quarters after random assignment. These impacts then declined sharply.**

Employment rates for experimentals were 15.3 percentage points higher than for controls in the first quarter after random assignment and 13.1 percentage points higher in the second quarter after random assignment. (See Table 1.) This increase appeared to result from experimentals working in an OJT position. By the fourth quarter, however, nearly as many controls as experimentals were working. This trend reflects the fact that some experimentals left their OJT positions and that there was a steady increase in employment rates for the control group. Overall, experimentals averaged 2.28 quarters of employment during the first year, a statistically significant increase of 0.35 quarters compared to the control group.

- **The OJT program produced a statistically significant earnings gain of $634 during the first year after random assignment. Average earnings for experimentals were 22 percent higher than average earnings for controls.**

During the first year after random assignment, experimentals earned $3,500 on average, compared to $2,866 for controls. (See Table 1.) Earnings rose consistently for both groups throughout the year, but experimentals averaged roughly $120 to $220 more in every quarter. Since employment

TABLE 1

SUMMARY OF SHORT-TERM IMPACTS OF THE NEW JERSEY OJT PROGRAM

| Outcome and Follow-Up Period | Experimentals | Controls | Difference |
|---|---|---|---|
| Ever Employed, Quarters 1-4 | 82.1% | 74.7% | 7.4%*** |
| Average Number of Quarters with Employment, Quarters 1-4 | 2.28 | 1.93 | 0.35*** |
| Ever Employed | | | |
| Quarter of Random Assignment | 55.4% | 40.1% | 15.3%*** |
| Quarter 2 | 61.8 | 48.7 | 13.1*** |
| Quarter 3 | 55.3 | 50.8 | 4.5* |
| Quarter 4 | 55.8 | 53.3 | 2.5 |
| Average Total Earnings, Quarters 1-4 | $3500.06 | $2865.78 | $634.28*** |
| Average Quarterly Earnings | | | |
| Quarter of Random Assignment | 476.55 | 357.43 | 119.12*** |
| Quarter 2 | 916.73 | 699.08 | 217.66*** |
| Quarter 3 | 1007.89 | 868.64 | 139.25** |
| Quarter 4 | 1098.89 | 940.63 | 158.26** |
| Ever Received AFDC, Quarters 1-4 | 97.6% | 97.2% | 0.4% |
| Average Number of Months Receiving AFDC, Quarters 1-4 | 8.51 | 9.13 | -0.63*** |
| Ever Received AFDC | | | |
| Quarter of Random Assignment | 96.6% | 95.2% | 1.4% |
| Quarter 2 | 89.7 | 92.0 | -2.2 |
| Quarter 3 | 73.3 | 78.4 | -5.1** |
| Quarter 4 | 62.1 | 67.8 | -5.6** |
| Quarter 5 | 54.7 | 60.7 | -5.9** |
| Average Total AFDC Payments, Quarters 1-4 | $3104.51 | $3369.28 | -$264.77*** |
| Average AFDC Payments | | | |
| Quarter of Random Assignment | 1007.43 | 996.50 | 10.93 |
| Quarter 2 | 838.75 | 923.00 | - 84.25*** |
| Quarter 3 | 664.94 | 774.55 | - 109.61*** |
| Quarter 4 | 593.39 | 675.23 | -81.84*** |
| Quarter 5 | 533.55 | 604.60 | -71.05*** |
| Sample Size | 814 | 790 | |

NOTES: These calculations include values of zero for sample members not employed and for sample members not receiving AFDC. There may be discrepancies in sums and differences due to rounding.

A two-tailed t-test was applied to each difference between experimental and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

gains were narrowing over this period, the persistence of earning gains through the fourth quarter suggests that experimentals worked in jobs that either paid more or provided more hours of employment than the jobs in which controls were employed.

- **Experimentals spent fewer months on AFDC and received $265 less in welfare payments than controls during the first year after random assignment.**

Rates of AFDC receipt dropped steadily for both groups during the first year after random assignment; however, experimentals left AFDC faster. By the fourth quarter after random assignment, 62.1 percent of experimentals were receiving AFDC compared to 67.8 percent of controls. (See Table 1.) Overall, experimentals averaged 8.51 months on AFDC during the first year after random assignment, while controls averaged 9.13 months.

During the first year after random assignment, experimentals averaged $3,105 in welfare payments, an 8 percent reduction from the average of $3,369 paid to controls. From the second through fourth quarters, experimentals averaged between $82 and $110 less in welfare payments per quarter. These differences were all statistically significant.

Longer-term Impacts

- **During quarters five through seven, when almost all the experimentals had completed the OJT subsidy period, there was little or no difference between the employment rates for experimentals and controls.**

Although 70.1 percent of experimentals and 66.9 percent of controls were employed at some point during quarters five through seven, the difference was not statistically significant and both groups averaged 1.7

quarters of employment during this period. (See Table 2.) A statistically significant employment gain for experimentals in the fifth quarter was followed by two quarters in which controls actually had slightly higher rates of employment, although the differences were not statistically significant.

- **During quarters five through seven, experimentals averaged $468 more in earnings than controls. This is a statistically significant increase of nearly 15 percent.**

During quarters five through seven, experimentals averaged $3,627 in earnings, while controls averaged $3,159. (See Table 2 and Figure 1.) Quarterly averages for both groups showed a generally upward trend, although increases were not as rapid as during the first year. During quarters five and six, experimentals averaged about $173 more in earnings than controls. These differences were statistically significant. The $123 difference in the seventh quarter was not statistically significant. As was the case in the latter part of the first year after random assignment, earnings increases in the absence of employment gains suggest that enrollment in the OJT program gave experimentals access to higher pay or more hours of work.

- **During quarters five through eight, experimentals averaged nearly half a month less of AFDC receipt than controls and averaged $238 less in welfare payments. However, these differences decreased somewhat over time.**

Levels of AFDC receipt continued to drop for both experimentals and controls during this period, but the decline was faster for experimentals. (See Table 2.) In each quarter, a smaller percentage of experimentals received AFDC payments than controls, although the difference was only statistically significant in the sixth quarter. Overall, experimentals

TABLE 2

SUMMARY OF LONGER-TERM IMPACTS OF THE NEW JERSEY OJT PROGRAM

| Outcome and Follow-Up Period | Experimentals | Controls | Difference |
|---|---|---|---|
| Ever Employed, Quarters 5-7 | 70.1% | 66.9% | 3.2% |
| Average Number of Quarters with Employment, Quarters 5-7 | 1.69 | 1.66 | 0.03 |
| Ever Employed | | | |
| Quarter 3 | 55.0% | 51.5% | 3.5% |
| Quarter 4 | 54.8 | 55.2 | -0.4 |
| Quarter 5 | 56.9 | 51.6 | 5.3* |
| Quarter 6 | 56.4 | 56.7 | -0.2 |
| Quarter 7 | 56.1 | 57.8 | -1.7 |
| Average Total Earnings, Quarters 5-7 | $3627.43 | $3159.10 | $468.32* |
| Average Quarterly Earnings | | | |
| Quarter 3 | 881.40 | 841.24 | 40.15 |
| Quarter 4 | 974.33 | 939.52 | 34.81 |
| Quarter 5 | 1155.09 | 981.25 | 173.83** |
| Quarter 6 | 1259.79 | 1087.82 | 171.97* |
| Quarter 7 | 1212.55 | 1090.03 | 122.52 |
| Ever Received AFDC | | | |
| Quarters 1-8 | 98.0% | 97.7% | 0.3% |
| Quarters 5-8 | 60.7 | 62.9 | -2.3 |
| Average Number of Months Receiving AFDC | | | |
| Quarters 1-8 | 14.24 | 15.06 | -0.81* |
| Quarters 5-8 | 5.41 | 5.90 | -0.49 |
| Ever Received AFDC | | | |
| Quarter of Random Assignment | 97.4% | 96.3% | 1.1% |
| Quarter 2 | 93.6 | 91.4 | 2.2 |
| Quarter 3 | 76.8 | 77.7 | -0.9 |
| Quarter 4 | 65.8 | 68.6 | -2.8 |
| Quarter 5 | 56.5 | 61.5 | -4.9 |
| Quarter 6 | 50.6 | 57.0 | -6.4** |
| Quarter 7 | 47.9 | 51.7 | -3.8 |
| Quarter 8 | 45.7 | 47.5 | -1.9 |
| Average Total AFDC Payments | | | |
| Quarters 1-8 | $5133.51 | $5560.99 | -$427.48** |
| Quarters 5-8 | 1945.94 | 2183.57 | -237.63* |
| Average AFDC Payments | | | |
| Quarter of Random Assignment | 998.55 | 994.41 | 4.13 |
| Quarter 2 | 883.25 | 930.69 | -47.43** |
| Quarter 3 | 691.24 | 773.17 | -81.92*** |
| Quarter 4 | 614.52 | 679.15 | -64.63** |
| Quarter 5 | 543.19 | 616.80 | -73.61** |
| Quarter 6 | 493.73 | 576.85 | -83.12** |
| Quarter 7 | 470.46 | 513.54 | -43.08 |
| Quarter 8 | 438.56 | 476.38 | -37.82 |
| Sample Size | 508 | 486 | |

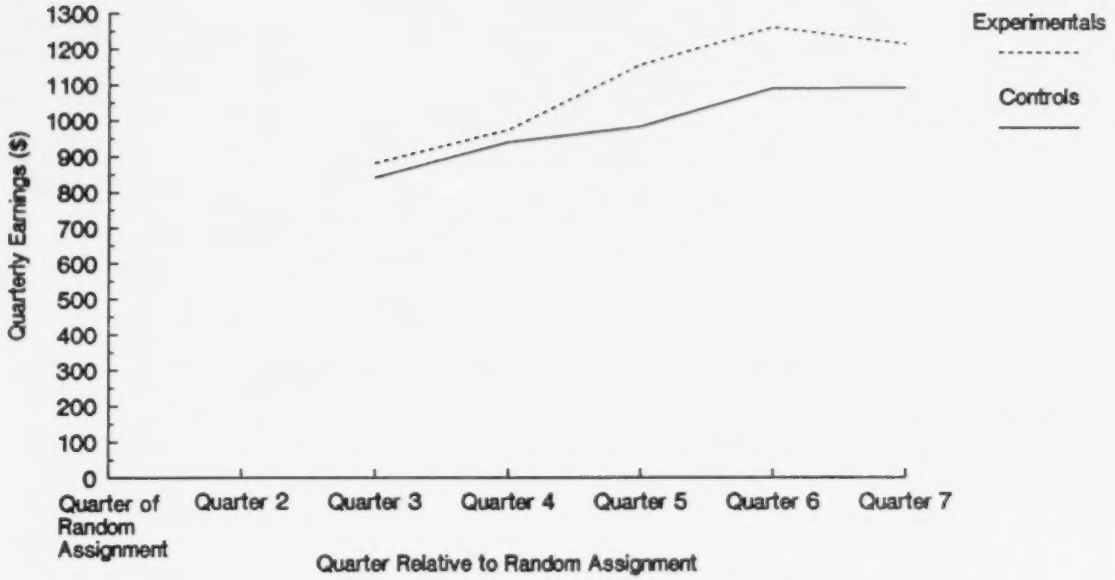
NOTES: These calculations include values of zero for sample members not employed and for sample members not receiving AFDC. There may be discrepancies in sums and differences due to rounding.

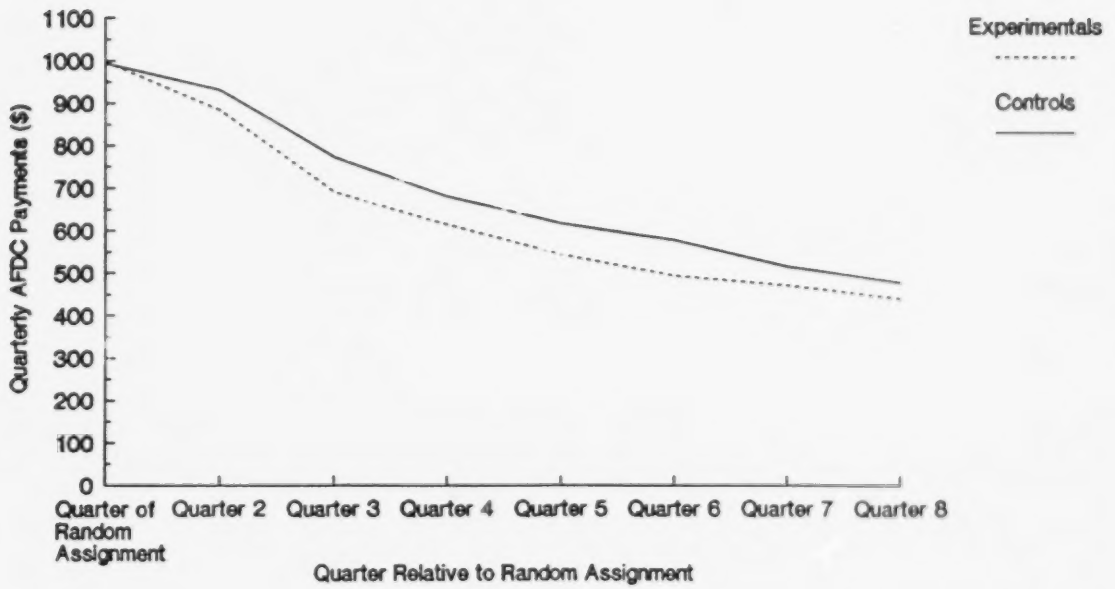
A two-tailed t-test was applied to each difference between experimental and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

FIGURE 1

NEW JERSEY OJT PROGRAM:

TRENDS IN QUARTERLY EARNINGS AND AFDC PAYMENTS
FOR AN EARLY SAMPLE



averaged 5.41 months of AFDC receipt during quarters five to eight while controls averaged 5.90 months. The difference is not statistically significant, however.

During quarters five through eight, experimentals received an average of $1,946 in welfare payments, an 11 percent reduction from the control group average of $2,184. (See Table 2 and Figure 1.) Experimentals had lower average payments in each quarter, but the savings decreased from a statistically significant $83 in quarter six to a not statistically significant $38 in quarter eight.

## Findings from the Benefit-Cost Analysis

The benefit-cost analysis estimates the financial gains or losses that resulted from adding the OJT program to the regular array of WIN and JTPA services. It is important to remember that these estimates, like the impact estimates, present the net results for the program compared to the benefits and costs of the substantial employment-related activities engaged in by controls.

This analysis extends the impact results in several important ways. First, it includes not only the program's impacts on earnings and welfare payments, but also the effects on fringe benefits, tax payments, Medicaid, Food Stamps, and the administrative costs associated with these transfer programs. These effects, which could not be measured directly, are imputed primarily from observed earnings and welfare impacts.

Second, using a number of assumptions, the analysis projects program benefits and costs that are likely to occur after the end of data collection. This longer-range view is necessary because most costs are incurred

early, when participants are still active in the program, whereas benefits can be expected to accrue over a longer period as individuals continue to work and pay taxes. For this reason, the benefit-cost estimates are extended over a five-year period for each sample member, beginning with the date of random assignment. Actual earnings and AFDC data are available for about the first two years of follow-up, which is called the "observation period." For the remainder of the five years, effects are projected from data obtained during the observation period. Because the observation period is relatively short -- and covers less than half of the five-year benefit-cost period -- considerable uncertainty surrounds the precise estimates in this analysis.

Third, the benefit-cost analysis is concerned with how gains and losses differ depending on the perspective of different groups in society. The principal questions addressed are whether members of the experimental group become financially better off as a result of the program and whether government budgets show net gains or losses due to the program. Table 3 displays these net gains and losses from the perspectives of the welfare recipients and the government budgets.

It is important to recognize that while this analysis is comprehensive, it cannot take into account all factors that are potentially relevant in interpreting benefit-cost results. For example, it does not include the possible displacement of other workers by any increased employment of experimentals, or the intangible benefits associated with society's preference for work over welfare.

Finally, it should also be noted that the findings reported below may be conservative estimates of the program's effectiveness. The results are

TABLE 3

ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL
FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS

| Component of Analysis and Perspective | Estimate |
|---|---|
| Welfare Recipients | |
| Gains | |
| Earnings and Fringe Benefits | |
| OJT Employment | $779 |
| Unsubsidized Employment | 1432 to 2571 |
| Losses | |
| Income, Sales and Payroll Taxes | -367 to -596 |
| AFDC Payments | -652 to -801 |
| Other Transfer Payments | -201 to -379 |
| WIN Allowances and Support Services | -21 |
| Net Present Value | 971 to 1554 |
| Government Budgets | |
| Gains | |
| Payroll Taxes | $310 to $469 |
| Income and Sales Taxes | 226 to 383 |
| AFDC Payments | 652 to 801 |
| Other Transfer Payments | 201 to 379 |
| Transfer Program Administration | 72 to 113 |
| Other WIN Operating Costs | 39 |
| WIN Allowances and Support Services | 21 |
| Losses | |
| OJT Wage Subsidies | -348 |
| OJT Operating Costs | -500 |
| JTPA Operating Costs | -73 |
| Net Present Value | 601 to 1284 |

NOTES: All benefits and costs are estimated for a five-year time period beginning at random assignment and are expressed in 1986 dollars. Because of rounding, detail may not sum to totals. Results include estimates of projected program effects beyond the observation period. The first number of each range assumes a straight line decay of impacts to $0 by the end of the five-year period; the second number assumes that the most recent program effects continue for each remaining quarter of the five-year period. The net present value is the sum of all gains and losses.

based largely on the benefits and costs for the "early sample." There is some indication that the results would be more favorable if sufficient follow-up data had been available for the entire research sample.

- **Over a five-year period, enrollees in the OJT program are likely to benefit by an estimated $971 to $1,554 per person.**

From the perspective of the experimentals, the primary benefit of the program was their increased earnings and fringe benefits, estimated to be about $1,000 during the observation period. The principal offsets to these gains were the increased taxes experimentals paid and the lower amounts of AFDC, Medicaid, and Food Stamps they received compared to controls. During the observation period, the net effect of these benefits and losses was an average gain of $309 per experimental.

Using alternative assumptions about the projected future effects of the program, the net benefits to experimentals over the full five-year period will probably be between $971 and $1,554. While experimentals clearly benefited financially from the program because they had net gains even within the observation period, the precise magnitude of these gains over the full five years is much less certain.

- **From the perspective of government budgets, the program can be expected to pay for itself within about two and one-half years. Net savings of between $601 and $1,284 are likely over a five-year period.**

From the perspective of government budgets, the principal gains were the increased taxes experimentals paid and the reduced AFDC, Medicaid, and Food Stamps experimentals received compared to controls. The main cost to the government was the net increase in program expenditures for experimentals compared to controls.

By the end of the observation period, all but about $90 of the $860

net cost of the program had been recouped. With reasonable assumptions about continued program effects beyond the observation period, it is likely that the program would break even within about two and one-half years and would generate net savings to the government of between $601 and $1,284 over a five-year period. Again, while the conclusion that there will be net savings is reasonably certain, the expected amount of the savings is unclear.

## Conclusions

The finding that the program benefited those enrolled in it while also saving money for government budgets provides support for an OJT component to be included within the array of WIN services available to welfare recipients in New Jersey. It means that the program increased the income of AFDC recipients at no net cost to the government. However, the program was relatively small, and New Jersey, as well as other states, have found it difficult to run OJT programs for welfare recipients on a much larger scale. Therefore, the OJT program is probably best seen as an effective but limited part of the state's overall employment services for welfare recipients.

CONTENTS


Page

ACKNOWLEDGMENTS ..... iii

PREFACE ..... v

EXECUTIVE SUMMARY ..... vii

LIST OF TABLES ..... xxx

LIST OF FIGURES ..... xxxiv

CHAPTER

I. INTRODUCTION ..... 1

II. RECRUITMENT OF THE SAMPLE AND RESEARCH DESIGN ..... 13

III. IMPLEMENTATION OF THE OJT PROGRAM AND THE CONTEXT OF THE DEMONSTRATION ..... 36

IV. PROGRAM IMPACTS ..... 64

V. BENEFIT-COST ANALYSIS ..... 92

APPENDICES

A. HOW GRANT DIVERSION WORKS ..... 134
B. SUPPLEMENTARY DEMOGRAPHIC TABLES ..... 139
C. SUPPLEMENTARY PROCESS TABLES ..... 146
D. SUPPLEMENTARY IMPACT TABLES ..... 152
E. SUPPLEMENTARY BENEFIT-COST TABLES ..... 166

FOOTNOTES ..... 174

REFERENCES ..... 189

LIST OF MDRC STUDIES IN THE WORK/WELFARE DEMONSTRATION ..... 192

## LIST OF TABLES


| TABLE | | PAGE |
|---|---|---|
| 1 | SUMMARY OF SHORT-TERM IMPACTS OF THE NEW JERSEY OJT PROGRAM | xix |
| 2 | SUMMARY OF LONGER-TERM IMPACTS OF THE NEW JERSEY OJT PROGRAM | xxii |
| 3 | ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS | xxvi |
| 1.1 | ANNUAL UNEMPLOYMENT RATES FOR COUNTIES IN THE OJT PROGRAM | 7 |
| 2.1 | DISTRIBUTION OF THE RESEARCH SAMPLE, BY PERIOD OF RANDOM ASSIGNMENT AND RESEARCH GROUP | 17 |
| 2.2 | DESCRIPTION OF THE RESEARCH SAMPLES | 20 |
| 2.3 | SELECTED CHARACTERISTICS OF THE EARLY, LATER AND FULL SAMPLES, BY PERIOD OF RANDOM ASSIGNMENT | 22 |
| 2.4 | SELECTED CHARACTERISTICS OF THE EARLY SAMPLE, BY RESEARCH GROUP | 27 |
| 2.5 | LENGTH OF AVAILABLE FOLLOW-UP, BY DATA SOURCE AND PERIOD OF RANDOM ASSIGNMENT | 31 |
| 3.1 | OJT EMPLOYMENT RATES, NUMBER OF WEEKS TO OJT START AND AVERAGE LENGTH OF OJT EMPLOYMENT, BY COUNTY (EARLY SAMPLE) | 42 |
| 3.2 | ON-THE-JOB TRAINING EMPLOYMENT RATES WITHIN SELECTED SUBGROUPS (EARLY SAMPLE) | 50 |
| 3.3 | PERCENT INVOLVED IN SPECIFIED ACTIVITIES WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP (EARLY SAMPLE) | 55 |
| 3.4 | PARTICIPATION PATTERNS WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP | 57 |
| 4.1 | DISTRIBUTION OF EXPERIMENTALS EMPLOYED IN OJT POSITIONS, BY PERIOD WHEN LAST OJT JOB ENDED (SHORT-TERM IMPACT SAMPLE) | 68 |

4.2 IMPACTS ON EMPLOYMENT RATES AND EARNINGS (SHORT-TERM IMPACT SAMPLE) ..... 72

4.3 IMPACTS ON RATES OF AFDC RECEIPT AND AFDC PAYMENTS (SHORT-TERM IMPACT SAMPLE) ..... 76

4.4 IMPACTS ON TOTAL MEASURED INCOME (SHORT-TERM IMPACT SAMPLE) ..... 79

4.5 DISTRIBUTION OF EXPERIMENTALS EMPLOYED IN OJT POSITIONS, BY PERIOD WHEN LAST OJT JOB ENDED (EARLY SAMPLE) ..... 80

4.6 IMPACTS ON EMPLOYMENT RATES AND EARNINGS (EARLY SAMPLE) ..... 82

4.7 EMPLOYMENT AND EARNINGS OUTCOMES AMONG EMPLOYED SAMPLE MEMBERS (EARLY SAMPLE) ..... 85

4.8 IMPACTS ON RATES OF AFDC RECEIPT AND AFDC PAYMENTS (EARLY SAMPLE) ..... 87

4.9 IMPACTS ON TOTAL MEASURED INCOME (EARLY SAMPLE) ..... 90

5.1 ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN EARNINGS, FRINGE BENEITS, AND TAXES PER EXPERIMENTAL FOR THE OBSERVATION PERIOD (EARLY SAMPLE) ..... 98

5.2 ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN TRANSFER PAYMENTS AND ADMINISTRATIVE COSTS PER EXPERIMENTAL FOR THE OBSERVATION PERIOD (EARLY SAMPLE) ..... 102

5.3 ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (EARLY SAMPLE) .... 108

5.4 ESTIMATED NET COSTS OF OJT PROGRAM, OTHER WIN SERVICES AND JTPA EDUCATION AND TRAINING ACTIVITIES, PER EXPERIMENTAL (EARLY SAMPLE) ..... 113

5.5 FROM THE PERSPECTIVE OF THE WELFARE SAMPLE: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS (EARLY SAMPLE) ..... 126

5.6 FROM THE GOVERNMENT BUDGET PERSPECTIVE: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS (EARLY SAMPLE) ..... 128

5.7 ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS, BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE (EARLY SAMPLE) ..... 130

B.1 SELECTED CHARACTERISTICS OF THE SHORT-TERM IMPACT SAMPLE, BY RESEARCH GROUP ..... 140

B.2 SELECTED CHARACTERISTICS OF THE FULL SAMPLE, BY RESEARCH GROUP ..... 143

C.1 OJT EMPLOYMENT RATES, NUMBER OF WEEKS TO OJT START AND AVERAGE LENGTH OF OJT EMPLOYMENT, BY COUNTY (FULL SAMPLE) ..... 147

C.2 ON-THE-JOB TRAINING EMPLOYMENT RATES WITHIN SELECTED SUBGROUPS (FULL SAMPLE) ..... 148

C.3 PERCENT INVOLVED IN SPECIFIED ACTIVITIES WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP (FULL SAMPLE) ..... 150

C.4 PARTICIPATION PATTERNS WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP (FULL SAMPLE) ..... 151

D.1 ESTIMATED REGRESSION COEFFICIENTS OF EXPERIMENTAL GROUP DUMMY ..... 153

D.2 ESTIMATED REGRESSION COEFFICIENTS FOR SELECTED MEASURES OF EARNINGS AND AFDC ..... 157

D.3 COMPARISON OF TOTAL EMPLOYMENT AND OJT EMPLOYMENT OF EXPERIMENTALS (SHORT-TERM IMPACT SAMPLE) ..... 161

D.4 IMPACTS ON QUARTER OF INITIAL EMPLOYMENT AFTER RANDOM ASSIGNMENT (SHORT-TERM IMPACT SAMPLE) ..... 162

D.5 EMPLOYMENT AND EARNINGS OUTCOMES AMONG EMPLOYED SAMPLE MEMBERS (SHORT-TERM IMPACT SAMPLE) ..... 163

D.6 DISAGGREGATION OF CUMULATIVE EARNINGS IMPACT, QUARTERS ONE THROUGH FOUR (SHORT-TERM IMPACT SAMPLE) .. 164

D.7 DISAGGREGATION OF CUMULATIVE EARNINGS IMPACT, QUARTERS FIVE THROUGH SEVEN (EARLY IMPACT SAMPLE) ..... 165

E.1 FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (EARLY SAMPLE) ..... 167

E.2 ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (LATER SAMPLE) .... 168

E.3 FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (LATER SAMPLE) ..... 169

E.4 ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS, BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE (LATER SAMPLE) ..... 170

E.5 ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (FULL SAMPLE) ..... 171

E.6 FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (FULL SAMPLE) ..... 172

E.7 ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS, BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE (FULL SAMPLE) ..... 173

## LIST OF FIGURES


| FIGURE | | PAGE |
|---|---|---|
| 1 | TRENDS IN QUARTERLY EARNINGS AND AFDC PAYMENTS FOR AN EARLY SAMPLE | xxiii |
| 2.1 | NEW JERSEY RESEARCH DESIGN | 15 |
| 2.2 | DEFINITION OF THE RESEARCH SAMPLES | 19 |
| 3.1 | CUMULATIVE NUMBER OF EXPERIMENTALS AND CUMULATIVE NUMBER OF OJT STARTS (FULL SAMPLE) | 40 |
| 4.1 | TRENDS IN EMPLOYMENT AND EARNINGS (SHORT-TERM IMPACT SAMPLE) | 73 |
| 4.2 | TRENDS IN AFDC RECEIPT AND AFDC INCOME (SHORT-TERM IMPACT SAMPLE) | 77 |
| 4.3 | TRENDS IN EMPLOYMENT AND EARNINGS (EARLY SAMPLE) | 83 |
| 4.4 | TRENDS IN AFDC RECEIPT AND AFDC INCOME (EARLY SAMPLE) | 88 |

CHAPTER I

# INTRODUCTION

This report analyzes the implementation, impact, and cost-effectiveness of an on-the-job-training (OJT) program for recipients of Aid to Families with Dependent Children (AFDC) in New Jersey. The program was operated as one component of the employment and training services offered to welfare recipients through the state's Work Incentive (WIN) Demonstration system.

Enrollees in the OJT program, mostly female single heads of household, were eligible for placement in on-the-job-training positions with local employers. The employers (mainly in the private sector) agreed to hire one or more welfare recipients on a trial basis, pay them wages, and train and supervise them for a specified period of up to six months. Employers also agreed to retain individuals who performed satisfactorily during the trial period as regular full-time employees. In return, the state reimbursed the employers for half the wages paid to OJT employees during the trial period.

The subsidy the state paid to employers was financed through a funding mechanism known as grant diversion, which is a way to convert welfare grants into wage payments for recipients. Under this process, the value of a welfare recipient's grant is held constant as of the time she enters an OJT position. The amount of the grant paid directly to her is then reduced to reflect her earnings in the job, as would be the case for any AFDC recipient with earnings. However, instead of returning the resulting welfare savings to the public treasury, these savings are used to subsidize

the wages that OJT employers pay to welfare recipients. (See Appendix A for a more detailed description of how the grant diversion mechanism works.)

The official name of the state's OJT program, the New Jersey WIN Grant Diversion Project, reflects the program's reliance on this funding mechanism. Throughout this report, however, it will be important to keep in mind the distinction between on-the-job training, which is the program activity being studied, and grant diversion, which is merely a way to fund OJT wage subsidies. The analysis focuses on the impact and cost-effectiveness of providing on-the-job training to welfare recipients, not on the means of funding the program.[1]

The OJT program was operated in nine of New Jersey's 21 counties -- Atlantic, Burlington, Camden, Essex, Hudson, Mercer, Middlesex, Monmouth, and Passaic -- and was restricted to adult AFDC recipients who were single parents. Participation was voluntary, but individuals desiring an OJT position first had to be accepted into the program. To be accepted, they needed to demonstrate interest in an on-the-job-training position and be considered employable by program staff.

It is important to emphasize, however, that many of those accepted into the program did not actually work in an OJT position. All of them "enrolled" in the program in the sense that job developers attempted to match them with available OJT job openings -- often by sending prospective employers two or more OJT candidates to be interviewed for an available position. However, as is often the case in OJT programs, only about 43 percent of these "enrollees" in New Jersey's program were hired by OJT employers.

The other 57 percent (i.e., those not placed in OJT positions) spent varying lengths of time waiting for a placement; many eventually found unsubsidized jobs on their own, left welfare, or entered other employment and training activities. Although these individuals did not work in an OJT position, their contact with the program and their decision to forgo (at least temporarily) other employment-related activities may have affected their subsequent earnings and welfare behavior.

The program's enrollees -- both those who actually worked in OJT positions and those who did not -- could take part in other WIN activities either before employment in an OJT position, after completing or dropping out of an OJT position, or as an alternative to employment in an OJT position. WIN activities included job search (supervised job clubs, individual job search, or referrals to unsubsidized jobs through the New Jersey Employment Service); work experience (up to 20 weeks of unpaid, part-time work at a government agency or not-for-profit organization); or referral to remedial education or vocational training. The program's enrollees could also take part in training activities administered through the state's Job Training Partnership Act (JTPA) system.

## I. The Setting for New Jersey's OJT Program

New Jersey provides an important setting for studying an OJT program for welfare recipients because it has a history of operating OJT programs and because its economy, while steadily improving, also has pockets of high unemployment.

OJT programs for welfare recipients have been operated in New Jersey since 1969. Until 1981, the Employment Services (ES) Division of New

Jersey's Department of Labor offered OJTs as a regular component in the WIN system and paid employer subsidies out of general program funds. Following passage of the federal Omnibus Budget Reconciliation Act (OBRA) in 1981, however, federal funding for New Jersey's WIN budget was cut by 30 percent, leading to a drastic reduction in the OJT program. The state's Department of Human Services (DHS), which assumed overall responsibility for the WIN program after OBRA, contracted with ES to continue the administration of WIN services, including OJTs. However, DHS contracted for only a few OJTs per year during this immediate post-OBRA period.

In 1983, the U.S. Department of Health and Human Services, Office of Family Assistance (OFA) invited states to apply for demonstration funding to test the effectiveness of OJT programs using employer subsidies funded through grant diversion. New Jersey was one of nine states that responded to this invitation and one of six chosen to participate. (The other five were Arizona, Florida, Maine, Texas, and Vermont.)[2]

This enabled New Jersey to revive its OJT program, although still with less funding than in the years before OBRA.[3] As with other WIN components, New Jersey DHS subcontracted with ES to operate the OJT program, although DHS retained oversight responsibilities. County ES staff, who were responsible for implementing the program at the local level, set a goal of 500 OJT placements per year, equivalent to the average number of placements during the pre-OBRA years.

The OJT program that is the subject of this study ran from October 15, 1984, through June 30, 1987. (The state had also operated the program as a pilot project from April through mid-October 1984.) The research sample includes all WIN registrants accepted in the program from October 1984

through June 1986.

Although New Jersey no longer receives federal demonstration funding for its OJT program, the state has continued to provide OJT employment opportunities for welfare recipients. Starting in January 1987, New Jersey has been paying OJT administrative costs with funds made available through Title IV-A of the Social Security Act, a funding source that can also be used to operate work experience and job search programs. (The state has to bear a greater portion of program costs than under the previous funding arrangement.) New Jersey continues to use diverted grants to fund OJT wage subsidies. Since the end of the demonstration, the state has extended the maximum length of an OJT contract from six to nine months, and has made OJT employment available to unemployed parents in two-parent households. At present, the OJT program is operating in seven of the nine demonstration counties, plus Union County.

The present administrative and funding arrangements for running an OJT program will change when New Jersey finishes reorganizing its system for delivering employment and training services to welfare recipients. The state has replaced the WIN system, administered largely by ES, with a new program called Realizing Economic Achievement (REACH), which is administered directly by county governments and subcontracted to county welfare agencies or other service providers. Grant diversion will continue under REACH, although the program has not begun in most counties and institutional arrangements for operating an OJT program are still being worked out.

During the period under study, New Jersey emerged from the recession of the early 1980s and experienced strong economic growth. From 1984 to 1987, when the OJT program was in operation, the statewide unemployment

rate dropped from 6.2 percent to below 5 percent. (In each of these years, New Jersey's unemployment rate was lower than the national average.) Job growth was particularly rapid in areas of the economy in which women have traditionally found employment: finance, wholesale and retail trade, and services.

Despite the general trend toward lower unemployment, however, some counties had unemployment rates well above the state average. Four of these counties -- Atlantic, Essex, Hudson, and Passaic (which include, respectively, Atlantic City, Newark, Jersey City, and Paterson) -- were included in the OJT program.[4] (See Table 1.1.)

## II. Research Questions and Policy Context

This evaluation concerns the effects of adding the OJT component to the system of employment-related activities for welfare recipients registered with WIN. The report does not estimate the effect of offering on-the-job training alone, as would have been the case if those who participated in the OJT program were not eligible for any other services. Furthermore, since the OJT program operated on a limited scale and was targeted to a particular group -- mostly female single-parent AFDC recipients who volunteered for and were accepted by the program -- the findings apply only to a small portion of New Jersey's AFDC caseload. This evaluation therefore differs from most of MDRC's other recent studies, which have generally involved larger-scale mandatory programs.

The effects of adding the on-the-job-training option were determined through a rigorous research design using random assignment. Half of the WIN registrants who applied for and were accepted by the program were

TABLE 1.1

NEW JERSEY

ANNUAL UNEMPLOYMENT RATES FOR COUNTIES IN THE OJT PROGRAM

| County | 1984 | 1985 | 1986 |
|---|---|---|---|
| Atlantic | 8.4% | 7.4% | 6.7% |
| Burlington | 4.6 | 4.2 | 3.9 |
| Camden | 5.8 | 5.2 | 4.8 |
| Essex | 7.2 | 7.5 | 6.7 |
| Hudson | 10.0 | 9.2 | 8.0 |
| Mercer | 5.2 | 4.7 | 4.3 |
| Middlesex | 5.7 | 5.0 | 4.4 |
| Monmouth | 5.6 | 4.5 | 4.0 |
| Passaic | 7.3 | 7.1 | 6.0 |
| New Jersey State | 6.2 | 5.7 | 5.0 |

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, 1984-1986.

NOTES: Annual unemployment rates are not seasonally adjusted.

randomly assigned to an "experimental" group eligible for an on-the-job-training position, as well as other WIN and JTPA services. The other half, who would normally have formed part of a larger pool available to fill OJT positions, were assigned to a "control" group, which was not given access to OJT jobs. Members of the control group were, however, eligible for all other WIN and JTPA activities. The evaluation therefore compares two program streams: regular WIN and JTPA services plus eligibility for an OJT position versus regular WIN and JTPA services alone.

In particular, the evaluation seeks to answer the following questions:

- Did welfare recipients accepted in the OJT program achieve higher employment rates or earnings than they would have if they only had access to regular WIN and JTPA services?
- Did welfare recipients accepted in the OJT program spend less time on welfare or receive lower welfare payments than they would have if they only had access to regular WIN and JTPA services?
- Did earnings gains for recipients accepted in the OJT program outweigh their losses in welfare benefits and other transfer payments?
- Did the addition of the OJT program produce gains in tax revenues and savings in welfare and other transfer payments large enough to outweigh the costs of adding it to the WIN system?

These questions are answered by comparing outcomes for the 988 members of the experimental group and the 955 members of the control group. In comparing these outcomes, it would not be surprising for experimentals, 43 percent of whom were placed in subsidized OJT jobs, to show short-term employment and earnings gains over controls.[5] On the other hand, since any reductions in welfare payments to these recipients were used to fund wage subsidies, one would not expect any short-term welfare savings from the perspective of the public treasury. Indeed, the short-term cost of welfare

may be higher in a program funded by grant diversion, since some members of the control group can be expected to cycle off the rolls during the period when the experimentals' grants are frozen.

For these reasons, an important aspect of the analysis is the program's effect on employment, earnings, and welfare receipt during the second year after program intake, when most experimentals had finished their OJT employment, and welfare grants were no longer being diverted to subsidize wage payments. Since sufficient follow-up data are available for only about half the research sample, however, the longer-term analysis focuses on this smaller group.

The use of a random assignment research design is central to the reliability of the evaluation of New Jersey's OJT program. When properly implemented, such a design yields experimental and control groups whose only systematic difference is in the program treatment available to them -- in this case, eligibility for employment in an OJT position. The employment, earnings, and welfare receipt of the individuals randomly assigned to the control group are therefore accurate benchmarks against which to measure the same outcomes for experimentals. Any statistically significant differences in the outcomes for the experimental and control groups can confidently be attributed to the effect of adding the OJT option to New Jersey's WIN system.

This contrasts with most previous studies of OJT, which generally found positive impacts for disadvantaged women, but are open to serious question because methodologies less reliable than random assignment were used. In the absence of random assignment, one could not determine whether apparent impacts were truly caused by the program or, instead, by differ-

ences between the two research groups on such important factors as motivation. This is because, unlike random assignment evaluations which draw both the experimental and the control groups from applicants accepted by the program, the other evaluations identified control groups from individuals who might have been demographically similar to participants but had not applied for and been accepted into the program. It is entirely possible -- indeed likely -- that individuals who apply for and are accepted by a program will differ systematically from those who do not.[6]

One demonstration program with an on-the-job-training component which has been evaluated through a random assignment design was Maine's Training Opportunities in the Private Sector (TOPS) program. Like New Jersey's OJT program, TOPS was a voluntary option within the WIN system that involved eligibility for employment in OJT jobs in addition to other WIN services. MDRC's study of TOPS concluded that women in the experimental group who were eligible for employment in OJT positions were more likely to be employed and had higher earnings than women eligible for regular WIN services alone. These gains were not accompanied by lower rates of welfare receipt or any welfare savings.

There were important differences between Maine's TOPS demonstration and New Jersey's OJT program, however. Experimentals in the TOPS demonstration received a structured sequence of employment-oriented activities that usually began with pre-employment workshops, followed by unpaid work experience, and only then by eligibility for an on-the-job-training position. In New Jersey, experimentals could begin working in an OJT position at any point after random assignment. Participation in alternative WIN or JTPA activities was determined on an individual basis. The Maine and New Jersey

programs also had somewhat different targeting strategies and intake procedures.[7]

A study conducted in Dayton, Ohio, during the early 1980s also used random assignment to test the effects of a key element of an OJT program: payment of wage subsidies to promote the employment of disadvantaged people. Enrollees (most of whom were welfare recipients) in a job search workshop were randomly assigned to one of three groups. The first two groups were provided vouchers representing different types of wage subsidies, while a control group received no vouchers. Members of the two experimental groups were instructed to offer the vouchers to prospective employers. The Dayton experiment yielded negative impacts: Employers were less likely to hire participants who offered wage subsidies than controls who had no subsidy to offer. It has been suggested that this might reflect the stigma employers attach to welfare recipients who offer wage subsidies as an inducement to be hired.[8]

As with TOPS, the Dayton experiment also differs from the New Jersey OJT program in several respects. In Dayton, participants sought their own jobs, and it was not necessarily assumed that training would occur once participants found employment. In New Jersey, job developers were responsible for finding OJT positions, and OJT employees were supposed to receive job-skills training from their employers during the OJT contract period.

## III. Overview of the Report

Chapters II and III provide more detailed information on how the New Jersey OJT program was operated and evaluated. Chapter II discusses recruitment and intake procedures for the demonstration and the character-

istics of the research sample. It also describes the data sources used in the evaluation. Chapter III describes how the program design was implemented and focuses on questions related to the program's scale: How close did the state come to its goal of placing 500 welfare recipients per year in OJT positions, and what factors influenced the scale of program options? Chapter III also contains a comparison of participation rates for experimentals and controls in WIN and JTPA activities.

Chapter IV contains the impact analysis, examining whether access to the OJT program produced higher employment and earnings or reduced welfare receipt for experimentals. Chapter V compares the economic benefits and costs of the program, focusing on two important perspectives: those of the welfare recipients eligible for the program and of the government budget.

CHAPTER II

## RECRUITMENT OF THE SAMPLE AND RESEARCH DESIGN

This chapter focuses on two topics critical to understanding the results of the study: the process by which eligible recipients were recruited for the OJT program, and the nature of the research design. It includes an explanation of the random assignment process and the different samples used in the report, as well as a description of sample members. The conclusion of the chapter outlines and assesses the accuracy of the key data sources.

### I. Recruitment and Assessment

Both WIN-mandatory recipients (those with children age six or older) and nonmandatory recipients (those with children younger than six) were eligible for the OJT program. To participate, however, eligible individuals had to express an interest in OJT and meet specific criteria: They had to be at least 18 years old, a single head of household, and be living in one of the nine counties in which the program operated.

Since the program sought to select recipients who could be placed in a job, primary responsibility for recruitment and assessment rested with a job developer from the WIN staff. Before random assignment, the job developer interviewed each OJT applicant and evaluated her "job-readiness." In doing this, the job developers considered the recipient's educational level, work experience, motivation, and childcare needs. Although most of the screening criteria tended to narrow eligibility to those more likely to

find work on their own, several job developers stated that they also selected applicants who seemed unlikely to find jobs without assistance.

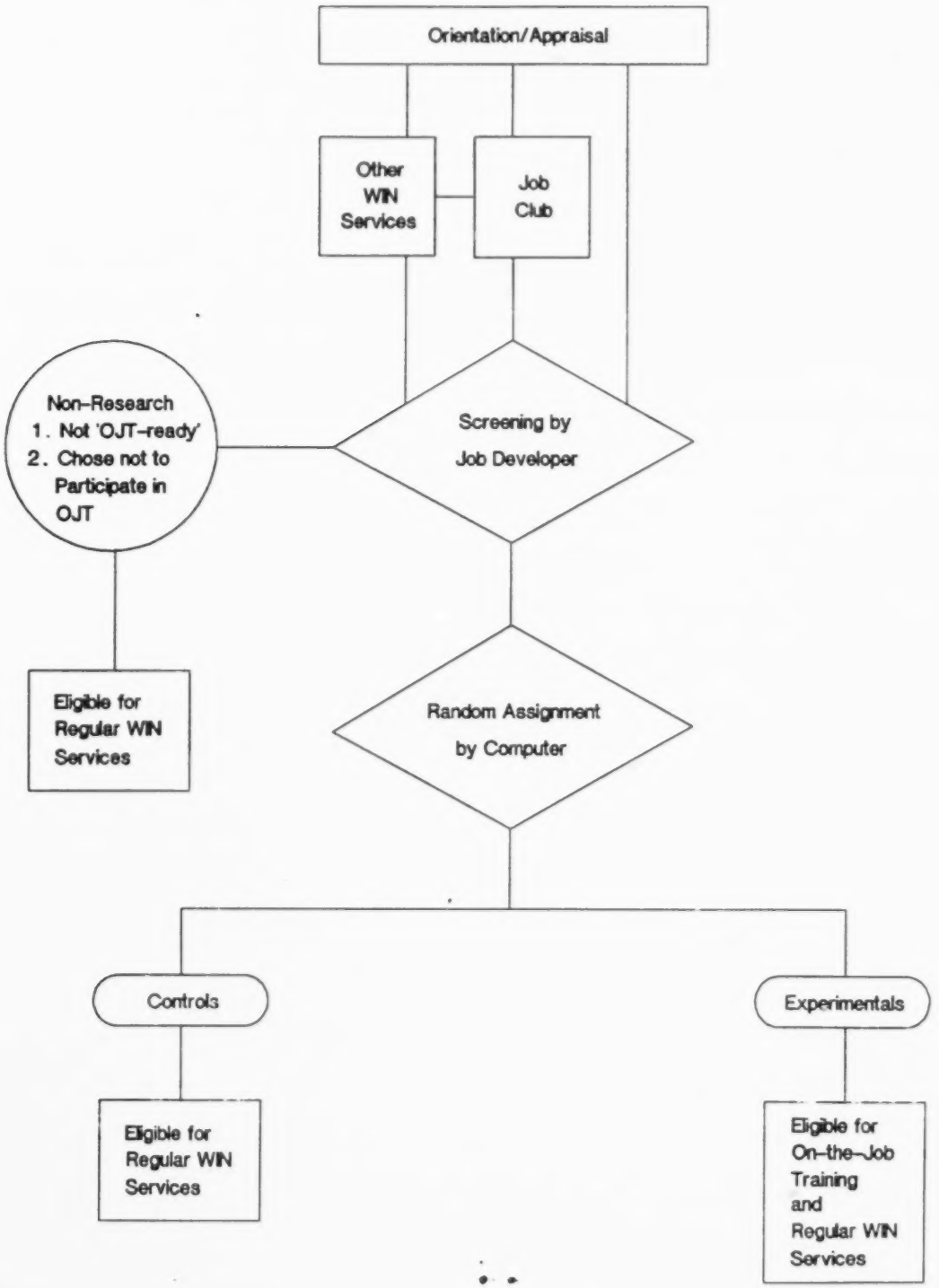
There were several possible paths recipients could follow before reaching the job developer interview (see Figure 2.1). The most common route was from Job Club, a group job search program which taught participants job-finding skills and provided them with phone banks and other ES-WIN resources to look for work. Job Club participants were generally told about OJT during their second week, but job developers would sometimes seek out a participant earlier to fill a specific job opening. Therefore, some Job Club participants applied for entry into the OJT program within a day or two of starting the Job Club. Another route to the job developer interview was through referrals by WIN staff who, through orientation/appraisal or other components, judged a person to be "job ready."

There was no systematic effort to recruit from the general WIN-eligible population for the OJT program.[1] Rather, sample members were drawn from the subset of the WIN population that was already receiving WIN services and learned about the OJT program. This recruitment strategy has two important implications. First, the findings from the evaluation are not generalizable to the larger WIN population, and second, the control group was likely to be a heavily served population, since they were already active within the WIN system.

## II. Research Design and Samples

Once accepted into the OJT program, enrollees were randomly assigned to either experimental or control status. A control group was included so that net program effects could be estimated by comparing the measured

Figure 2.1
New Jersey Research Design



outcomes (such as earnings and welfare receipt) of this group with those of the experimental group. Research has shown that a substantial proportion of AFDC recipients find jobs and leave welfare on their own, without receiving special services.[2] A valid control group makes it possible to distinguish this result from the effects of the program by contrasting the outcomes for two research groups who are similar in all respects except for the program treatment.[3]

Experimentals were eligible for OJT and all other WIN services. Controls were eligible for all WIN services, except OJT (see Figure 2.1). Both experimentals and controls were also eligible for JTPA services as well as other services pursued on their own initiative. The control group, therefore, represents a benchmark of alternative program services, not of no services.

A. Sample Build-up

Random assignment was conducted from October 1984 through June 1986, during which 988 recipients were randomly assigned to the experimental group and 955 to the control group for a total of 1,943 sample members (see Table 2.1). Intake began in seven counties in 1984, and in Hudson and Middlesex counties in mid-1985. The sample build-up was slow during the first and second quarters, but accelerated in later quarters.

B. Research Samples Used in the Analysis

The primary purpose of this evaluation is to determine the program's impacts, both in the short term (when many of the experimentals were still in OJT positions) and the longer term (when substantially all of the experimentals had completed the OJT subsidy period). The longer-term effects are of particular interest because they provide a better measure of

TABLE 2.1

NEW JERSEY

DISTRIBUTION OF THE RESEARCH SAMPLE,
BY PERIOD OF RANDOM ASSIGNMENT AND RESEARCH GROUP

| Period of Random Assignment | Experimentals | Controls | Total |
|---|---|---|---|
| Early Sample | 508 | 486 | 994 |
| October-December 1984 | 66 | 66 | 132 |
| January-March 1985 | 108 | 99 | 207 |
| April-June 1985 | 140 | 138 | 278 |
| July-September 1985 | 194 | 183 | 377 |
| Later Sample | 480 | 469 | 949 |
| October-December 1985 | 181 | 174 | 355 |
| January-March 1986 | 159 | 153 | 312 |
| April-June 1986 | 140 | 142 | 282 |
| Full Sample | 988 | 955 | 1943 |
| Short-Term Impact Sample[a] | 814 | 790 | 1604 |

SOURCE: Calculations from MDRC Client Information Sheets.

NOTES: [a]The Short-Term Impact Sample includes sample members randomly assigned between April 1985 and June 1986.

whether the program increased unsubsidized employment. Since almost all experimentals in OJTs had completed the subsidy period within one year after random assignment, the period beginning with the fifth quarter of follow-up is used to determine the program's longer-term effects.

Ideally, both the short- and longer-term impacts would be measured for the full research sample of 988 experimentals and 955 controls randomly assigned from October 1984 through June 1986. This was not possible, however, because of two limitations on data availability. First, New Jersey did not establish an Unemployment Insurance (UI) wage reporting system until April 1985. Since, as will be discussed shortly, this was the source of earnings data for the evaluation, there is no information on the first quarter or two of earnings for anyone randomly assigned from October 1984 through March 1985. The second limitation is that the research schedule only made it possible to process earnings data through March 1987 and AFDC payments data through August 1987. The fixed cut-off dates for data collection meant that there are different lengths of follow-up for different parts of the research sample, depending on when they were randomly assigned.

Because of these limitations on data availability, it was necessary to use somewhat different portions of the research sample to address particular issues. The subsample used to examine the program's short-term impacts includes everyone for whom at least the first full year of earnings and AFDC data are available. This "short-term impact sample" thus includes everyone (1,604 people) randomly assigned from April 1985 (when earnings data first became available) through the completion of random assignment in June 1986. (See Figure 2.2 and Table 2.2.)

FIGURE 2.2

DEFINITION OF THE RESEARCH SAMPLES

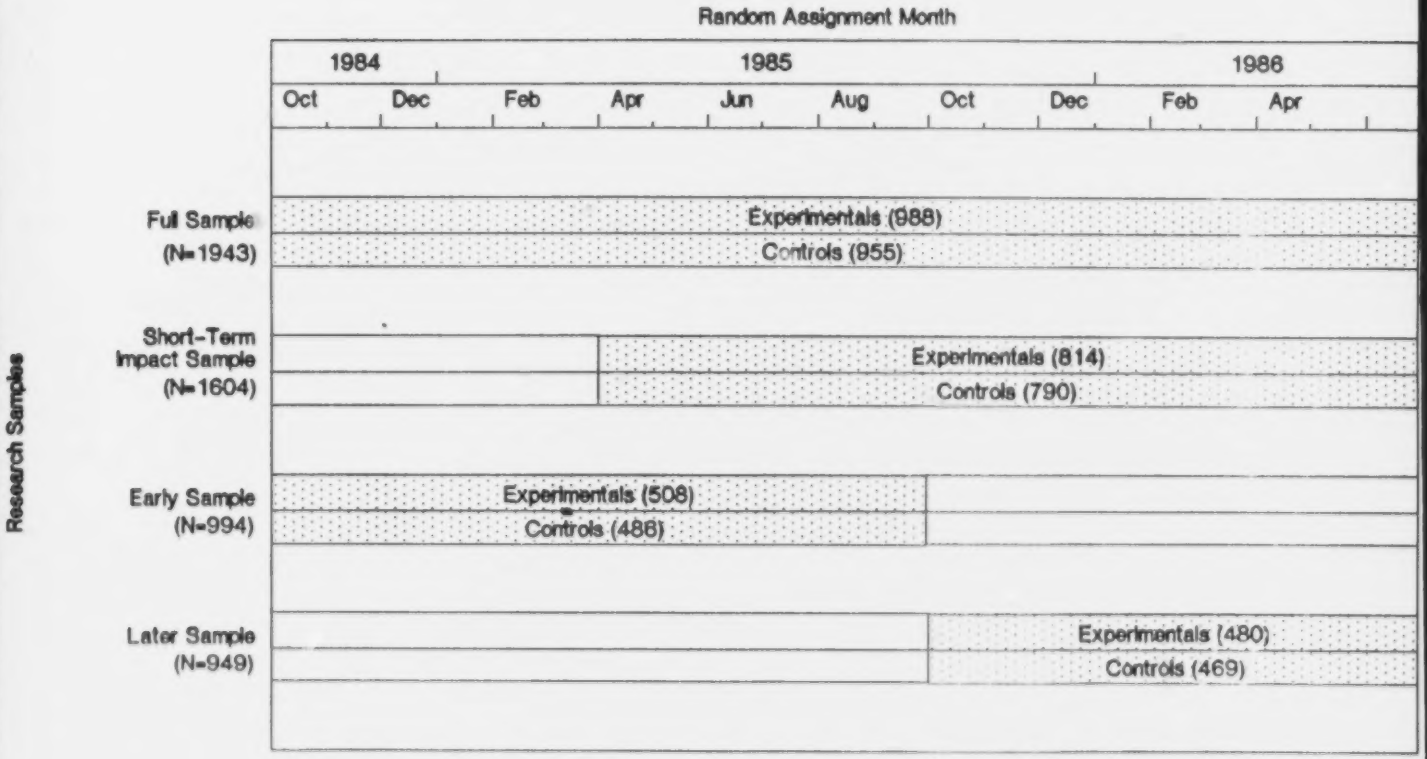


TABLE 2.2

NEW JERSEY

DESCRIPTION OF THE RESEARCH SAMPLES

| Sample | Period of Random Assignment | Follow-Up Quarters Included[a] | | Principal Use of the Sample | Sample Size |
|---|---|---|---|---|---|
| | | Earnings | AFDC Payments | | |
| Full | October 1984-June 1986 | 3-4 | 1-5 | Short-term performance indicators; benefits and costs | 1943 |
| Short-Term Impact | April 1985-June 1986 | 1-4 | 1-5 | Impacts during first year following random assignment | 1604 |
| Early | October 1984-September 1985 | 3-7 | 1-8 | Longer-term impacts and benefit-cost estimates; short-term performance indicators | 994 |
| Later | October 1985-June 1986 | 3-4 | 1-5 | Tests the representativeness of early sample findings | 949 |

NOTES: [a]Quarters are three-month periods that start on the first day of January, April, July or October. Quarter 1 is the three-month period in which the date of random assignment falls. Quarters 2 through 8 refer to three-month periods following the quarter of random assignment.

An overlapping but somewhat different sample was used to examine the program's longer-term effects: that is, for the period beginning with the fifth quarter after random assignment, when almost all the experimentals had completed the OJT subsidy period. Since sufficient earnings and AFDC follow-up data were only available for early entrants into the sample -- those randomly assigned between October 1984 and September 1985 -- this "early sample" was used to assess the program's longer-term effects. Because of the importance of the longer-term follow-up in an OJT program, the early sample will be the primary focus of this report, including most of the implementation findings in Chapter III, the longer-term impacts in Chapter IV, and the benefit-cost analysis in Chapter V.

The early sample of 994 people comprises 51 percent of the full sample. To understand how representative the experiences of the early sample are, MDRC also looked at a "later sample," which included individuals randomly assigned from October 1985 through June 1986. This later sample, for which there is only one year of follow-up data, does not play a central role in the report; it is used only to help interpret the representativeness of the longer-term findings for the early sample.

C. Characteristics of the Early Sample

Given the importance of the early sample in this report, the following description of sample members will focus on the early sample. Table 2.3, however, provides demographic information on the later and full samples as well as the early sample. Appendix Table B.1 provides comparable information for the short-term impact sample.

The early sample was a generally disadvantaged population except in educational achievement (see Table 2.3). More than three-fifths of this

TABLE 2.3

NEW JERSEY

SELECTED CHARACTERISTICS OF THE EARLY, LATER AND FULL SAMPLES, BY PERIOD OF RANDOM ASSIGNMENT

| Characteristic | Early Sample | Later Sample | Full Sample |
|---|---|---|---|
| County (%) | | | |
| Atlantic | 11.6 | 3.9 | 7.8*** |
| Burlington | 11.5 | 6.7 | 9.2*** |
| Camden | 13.9 | 12.0 | 13.0 |
| Essex | 15.5 | 12.5 | 14.1* |
| Hudson | 8.2 | 14.9 | 11.5*** |
| Mercer | 11.7 | 25.7 | 18.5*** |
| Middlesex | 2.4 | 5.3 | 3.8*** |
| Monmouth | 15.7 | 7.5 | 11.7*** |
| Passaic | 9.6 | 11.5 | 10.5 |
| Sex (%) | | | |
| Female | 95.7 | 96.5 | 96.1 |
| Male | 4.3 | 3.5 | 3.9 |
| WIN Status (%) | | | |
| Mandatory | 79.8 | 83.8 | 81.7** |
| Non-Mandatory | 20.2 | 16.2 | 18.3** |
| Age (%) | | | |
| Less than 19 Years | 0.2 | 0.2 | 0.2 |
| 19-24 Years | 13.5 | 11.3 | 12.4 |
| 25-34 Years | 50.2 | 53.1 | 51.6 |
| 35-44 Years | 28.5 | 28.3 | 28.4 |
| 45 Years or More | 7.6 | 7.0 | 7.3 |
| Average Age (Years) | 32.1 | 32.1 | 32.1 |
| Ethnicity (%) | | | |
| White, Non-Hispanic | 18.5 | 13.7 | 16.2*** |
| Black, Non-Hispanic | 69.9 | 70.7 | 70.3 |
| Hispanic | 11.2 | 15.1 | 13.1** |
| Other | 0.4 | 0.4 | 0.4 |
| Degree Received (%) | | | |
| None | 38.7 | 41.7 | 40.1 |
| GED | 13.1 | 8.3 | 10.7*** |
| High School Diploma | 48.3 | 50.0 | 49.1 |
| Average Highest Grade Completed | 11.3 | 11.2 | 11.3 |

(continued)

TABLE 2.3 (continued)

| Characteristic | Early Sample | Later Sample | Full Sample |
|---|---|---|---|
| Marital Status (%) | | | |
| Never Married | 48.3 | 58.7 | 53.4*** |
| Married, Living with Spouse | 4.1 | 2.9 | 3.5 |
| Married, Not Living with Spouse | 25.1 | 22.0 | 23.6 |
| Divorced or Widowed | 22.5 | 16.4 | 19.5*** |
| Any Children (%)[a] | | | |
| Less than 6 Years | 24.8 | 21.5 | 23.2* |
| Between 6 and 18 Years | 85.3 | 88.0 | 86.6* |
| Average Number of Children Less than 19 | 2.0 | 1.9 | 2.0 |
| Less than 6 Years | 0.3 | 0.3 | 0.3 |
| Between 6 and 18 Years | 1.6 | 1.7 | 1.6 |
| Prior AFDC Dependency (%) | | | |
| Never on AFDC | 1.8 | 0.7 | 1.3* |
| Less than 4 Months | 6.0 | 5.0 | 5.5 |
| 4 Months to 2 Years | 19.7 | 19.3 | 19.5 |
| More than 2 Years | 72.5 | 75.0 | 73.7 |
| Average Number of Months on AFDC during Two Years prior to Random Assignment | 18.5 | 18.6 | 18.5 |
| Received AFDC during Year prior to Random Assignment (%)[b] | 93.6 | 93.9 | 93.7 |
| Average Amount of AFDC Received during Year prior to Random Assignment ($)[b,c] | 3299.14 | 3422.03 | 3359.16 |
| Held a Job at Any Time prior to Random Assignment (%) | 85.5 | 80.2 | 82.9*** |
| Average Number of Months Employed during Two Years prior to Random Assignment | 4.1 | 3.6 | 3.9 |
| Reported Earnings during Year prior to Random Assignment (%) | | | |
| None | 62.4 | 70.9 | 66.5*** |
| $1-$1000 | 21.5 | 11.4 | 16.6*** |
| $1001-$3000 | 8.7 | 9.2 | 8.9 |
| $3001-$5000 | 4.0 | 4.7 | 4.4 |
| Over $5000 | 3.3 | 3.8 | 3.6 |

(continued)

TABLE 2.3 (continued)

| Characteristic | Early Sample | Later Sample | Full Sample |
|---|---|---|---|
| For Longest Job Held during Past Two Years[d] | | | |
| Average Hourly Wage Rate ($) | 4.48 | 4.55 | 4.51 |
| Average Weekly Hours | 34.3 | 35.0 | 34.6 |
| Sample Size[e] | 994 | 949 | 1943 |

SOURCE: Calculations from MDRC Client Information Sheets and New Jersey DHS Family Assistance Management Information System.

NOTES: Distributions may not add to 100.0 percent due to rounding.

A chi-square test or t-test was applied to differences between early and later samples. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Distributions may not add to 100.0 percent because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System.

[c]Calculations include values of zero for sample members not receiving AFDC.

[d]Averages are for 485 early sample members and 387 later sample members.

[e]For selected characteristics, sample sizes may vary up to 17 sample points due to missing data.

group reported zero earnings for the year before random assignment, and nearly three-quarters reported being on welfare for more than two years of their lives. Though the majority had either a high school diploma or GED, almost two-fifths had neither. The early sample was overwhelmingly female, most (70 percent) were black, and almost half had never married. However, 85.5 percent had held a job at some point in their lives, and those who had worked during the two years before random assignment averaged $4.48 an hour at their longest job. These data suggest that job developers accepted a variety of people -- some with relatively fewer barriers to employment, others with significant disadvantages in the labor market. Compared to the regular New Jersey WIN caseload, the early sample had higher percentages of high school graduates or those with GEDs, working-age people, and blacks.[4]

D. Differences between the Early and Later Samples

To evaluate the generalizability of the early sample, the demographic characteristics of early-sample members were compared to those of later-sample members (see Table 2.3). Although the early sample was similar to the later sample overall, in some categories the two were notably different: county office; WIN status; never married; held a regular job prior to random assignment; never on AFDC; zero and low earnings; and ethnicity. The data show the early sample to be slightly less disadvantaged than the later sample.

These statistically significant differences are most probably a result of labor market and population differences among counties. The sample build-up did not occur evenly across counties. The majority of sample members in Atlantic, Burlington, and Monmouth counties were randomly assigned between October 1984 to September 1985; whereas the majority of

sample members in Hudson, Mercer, and Middlesex counties were randomly assigned after September 1985. Members of the early sample were most likely to have had earnings in the prior year largely because counties with the greatest representation in the early sample had this characteristic. The counties also had different ethnic distributions: Hudson and Middlesex, in particular, had a higher than average percentage of Hispanics in their sample populations.

In addition, it is likely that improvements in the New Jersey economy beginning in mid-1985, also contributed to differences between the early and later samples. More jobs meant that the more "job-ready" could more easily find jobs on their own, while the least able stayed on the welfare rolls. This change in the AFDC caseload probably affected the composition of the two samples.

E. Random Assignment

Random assignment succeeded in producing comparable experimental and control groups for the early sample (see Table 2.4). Although a few statistically significant differences between experimentals and controls were found for measures of prior earnings and prior welfare receipt, neither research group appeared to be consistently better off than the other. The impact analysis will adjust for these differences.

The full sample results (see Appendix Table B.2) also reveal some experimental and control differences on prior earnings and AFDC receipt, though the specific categories affected differ from the early sample.

TABLE 2.4

NEW JERSEY

SELECTED CHARACTERISTICS OF THE EARLY SAMPLE, BY RESEARCH GROUP

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| County (%) | | | |
| Atlantic | 11.4 | 11.7 | 11.6 |
| Burlington | 11.0 | 11.9 | 11.5 |
| Camden | 14.2 | 13.6 | 13.9 |
| Essex | 15.6 | 15.4 | 15.5 |
| Hudson | 8.9 | 7.6 | 8.2 |
| Mercer | 11.2 | 12.1 | 11.7 |
| Middlesex | 2.4 | 2.5 | 2.4 |
| Monmouth | 15.6 | 15.8 | 15.7 |
| Passaic | 9.8 | 9.3 | 9.6 |
| Sex (%) | | | |
| Female | 96.1 | 95.2 | 95.7 |
| Male | 3.9 | 4.8 | 4.3 |
| WIN Status (%) | | | |
| Mandatory | 81.7 | 77.8 | 79.8 |
| Non-Mandatory | 18.3 | 22.2 | 20.2 |
| Age (%) | | | |
| Less than 19 Years | 0.2 | 0.2 | 0.2 |
| 19-24 Years | 13.8 | 13.2 | 13.5 |
| 25-34 Years | 49.0 | 51.4 | 50.2 |
| 35-44 Years | 29.1 | 27.8 | 28.5 |
| 45 Years or More | 7.9 | 7.4 | 7.6 |
| Average Age (Years) | 32.2 | 31.9 | 32.1 |
| Ethnicity (%) | | | |
| White, Non-Hispanic | 16.8 | 20.3 | 18.5 |
| Black, Non-Hispanic | 71.9 | 67.7 | 69.9 |
| Hispanic | 10.9 | 11.6 | 11.2 |
| Other | 0.4 | 0.4 | 0.4 |
| Degree Received (%) | | | |
| None | 39.6 | 37.7 | 38.7 |
| GED | 12.3 | 13.9 | 13.1 |
| High School Diploma | 48.1 | 48.4 | 48.3 |
| Average Highest Grade Completed | 11.3 | 11.4 | 11.3 |

(continued)

TABLE 2.4 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| Marital Status (%) | | | |
| Never Married | 49.3 | 47.2 | 48.3 |
| Married, Living with Spouse | 4.5 | 3.7 | 4.1 |
| Married, Not Living with Spouse | 24.9 | 25.3 | 25.1 |
| Divorced or Widowed | 21.3 | 23.8 | 22.5 |
| Any Children (%)[a] | | | |
| Less than 6 Years | 22.7 | 27.1 | 24.8 |
| Between 6 and 18 Years | 85.4 | 85.1 | 85.3 |
| Average Number of Children | | | |
| Less than 19 Years | 2.0 | 1.9 | 2.0 |
| Less than 6 Years | 0.3 | 0.4 | 0.3 |
| Between 6 and 18 Years | 1.7 | 1.6 | 1.6 |
| Prior AFDC Dependency (%) | | | |
| Never on AFDC | 2.4 | 1.2 | 1.8 |
| Less than 4 Months | 6.7 | 5.2 | 6.0 |
| 4 Months to 2 Years | 17.0 | 22.6 | 19.7** |
| More than 2 Years | 74.0 | 71.0 | 72.5 |
| Average Number of Months on AFDC during Two Years prior to Random Assignment | 18.3 | 18.7 | 18.5 |
| Received AFDC during Year prior to Random Assignment (%)[b] | 94.1 | 93.0 | 93.6 |
| Average Amount of AFDC Received during Year prior to Random Assignment ($)[b,c] | 3390.41 | 3203.74 | 3299.14* |
| Held a Job at Any Time prior to Random Assignment (%) | 86.8 | 84.1 | 85.5 |
| Average Number of Months Employed during Two Years prior to Random Assignment | 4.3 | 3.9 | 4.1 |
| Reported Earnings during Year prior to Random Assignment (%) | | | |
| None | 60.5 | 64.4 | 62.4 |
| $1-$1000 | 25.3 | 17.6 | 21.5*** |
| $1001-$3000 | 8.9 | 8.5 | 8.7 |
| $3001-$5000 | 3.2 | 5.0 | 4.0 |
| Over $5000 | 2.2 | 4.6 | 3.3* |

(continued)

TABLE 2.4 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| For Longest Job Held during Past Two Years[d] | | | |
| Average Hourly Wage Rate ($) | 4.49 | 4.47 | 4.48 |
| Average Weekly Hours | 33.9 | 34.6 | 34.3 |
| Sample Size[e] | 508 | 486 | 994 |

SOURCE: Calculations from MDRC Client Information Sheets and New Jersey DHS Family Assistance Management Information System.

NOTES: Distributions may not add to 100.0 percent due to rounding.

A chi-square test or t-test was applied to differences between research groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Distributions may not add to 100.0 percent because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System.

[c]Calculations include values of zero for sample members not receiving AFDC.

[d]Averages are for 256 experimentals and 229 controls.

[e]For selected characteristics, sample sizes may vary up to 17 sample points due to missing data.

III. Sources of Data

This evaluation relied on many data sources (see Table 2.5). Administrative records were used to measure outcomes and participation rates. Other documents provided demographic characteristics and more detailed participation information. Some qualitative information, such as interviews with a sample of job developers, was used in conjunction with this quantitative information. Each data source is described below.

A. Client Information Sheets (CIS)

The CIS, designed by MDRC and filled out by program staff at random assignment, was the major source of demographic and socioeconomic characteristics for each sample member. It included data on age, sex, ethnicity, family composition, and educational attainment. It also included basic welfare and employment histories. Particular attention was given to each sample member's experiences in the two years before random assignment. The CIS was the only source of prior employment and earnings data. The CIS data were complete for 99 percent of all sample members.[5]

B. Administrative Records on Earnings and AFDC

Administrative records were the primary data source for the impact and benefit-cost analyses.[6] Table 2.5 summarizes the types of records data used and the length of follow-up for sample members enrolled during each quarter of random assignment.

1. New Jersey Unemployment Insurance (UI) Earnings Records. The state UI system provided data on the earnings of the sample members by calendar quarters.[7] Since the UI system did not distinguish between earnings from OJT employment and earnings from unsubsidized jobs, the quarterly data on MDRC's automated analysis file also do not distinguish between OJT

TABLE 2.5

NEW JERSEY

LENGTH OF AVAILABLE FOLLOW-UP, BY DATA SOURCE AND PERIOD OF RANDOM ASSIGNMENT

| Data Source | Last Data Available | Data Begin | Period of Random Assignment | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Early Sample | | | | Later Sample | | |
| | | | October - December 1984 | January - March 1985 | April - June 1985 | July - September 1985 | October - December 1985 | January - March 1986 | April - June 1986 |
| ESARS Tracking Records[a] | May 1987 | Date of Random Assignment | 30 Months | 27 Months | 24 Months | 21 Months | 18 Months | 15 Months | 12 Months |
| JTPA Tracking Records[a] | May 1987 | Date of Random Assignment | 30 Months | 27 Months | 24 Months | 21 Months | 18 Months | 15 Months | 12 Months |
| OJT Employment Records[a] | May 1987 | Date of Random Assignment | 30 Months | 27 Months | 24 Months | 21 Months | 18 Months | 15 Months | 12 Months |
| Child Care and Training Related Expense Payments[b] | May 1987 | Date of Random Assignment | Not Available | Not Available | Not Available | Not Available | Not Available | 15 Months | 12 Months |
| Quarterly Employment and Earnings | First Calendar Quarter of 1987 | Second Calendar Quarter of 1985 | 8 Quarters[c] | 8 Quarters[d] | 8 Quarters | 7 Quarters | 6 Quarters | 5 Quarters | 4 Quarters |
| Monthly AFDC Grant Payments | August 1987 | 12 Months prior to Random Assignment | 33 Months | 30 Months | 27 Months | 24 Months | 21 Months | 18 Months | 15 Months |

NOTES: Data source names are descriptive. The official source names are provided in the text.

[a]Sample members randomly assigned during March, June, September, or December have a fraction of a month less follow-up than the rest of the sample.

[b]Data were for a randomly selected subsample of 377 experimentals and controls, randomly assigned between January and June 1986.

[c]Earnings data were available for the third through the tenth quarters following random assignment.

[d]Earnings data were available for the second through the ninth quarters following random assignment.

and other earnings. MDRC used Social Security numbers to identify the sample members for whom to collect automated earnings data.

New Jersey did not have a UI wage reporting system until April 1985. Therefore, earnings data for follow-up quarters one and two are unavailable for the sample randomly assigned between October 1984 and December 1984; data for quarter one are unavailable for the sample randomly assigned between January 1985 and March 1985.

For the early sample, seven quarters of earnings follow-up are available. Only four quarters of follow-up are available for the entire sample. The first quarter (the quarter of random assignment) can include earnings before random assignment.

It is important to understand that the UI data system can underestimate income because of unreported earnings. The UI measure of earnings does not include off-the-books earnings, or the earnings of people who work in another state. In addition, some employers do not report earnings: Agricultural and domestic work are exempt, and some employers may fail to file as required. Measures were, therefore, taken to determine the accuracy and completeness of the New Jersey UI earnings data.[8] This does not significantly affect the evaluation, however, because there is no reason to believe that there were differences in the reporting of experimental and control earnings, and therefore no reason to suspect bias in the experimental-control differences. A check of the UI earnings data actually received by MDRC against an alternative source of UI earnings records revealed a 95 percent match rate.

2. New Jersey DHS Family Assistance Management Information System (FAMIS).[9] FAMIS supplied records of the monthly AFDC payments made

to each sample member. For analysis, these monthly payments were aggregated into calendar quarter amounts to match the way earnings are reported.[10] Therefore, the first quarter will most likely include one or more months of AFDC payments received before random assignment, just as the first quarter included some prerandom assignment earnings.

For all sample members who participated in OJT employment and had part of their grant diverted, the AFDC grant amounts reported by FAMIS represent the amount paid directly to the client. The amount diverted to the grant diversion pool is not included in reported AFDC outcomes for individuals. If an OJT participant's entire grant was diverted (i.e., the amount of her earnings made the individual ineligible to receive any AFDC grant payment), that person would remain in OJT but would not appear as an AFDC recipient in the outcome measure of AFDC receipt in the impact analysis.

AFDC data were collected from October 1983 through August 1987. For each early sample member, therefore, data begin at least 12 months before random assignment and continue through 24 months beyond the month of random assignment; the full sample only have data for 15 months after the month of random assignment.[11]

C. Program Tracking

MDRC used multiple sources of data on program participation to measure the activity of sample members in various services.

1. WIN Grant Diversion Project On-Board Summary Reports. These reports, which were basically OJT employment records, provided OJT start and stop dates. Job developers maintained monthly logs of pertinent information concerning OJT contracts.

2. Employment Security Automated Reporting System (ESARS). ESARS provided computerized data on program participation in WIN services as well as information on employment and deregistration.[12] Information was collected from October 1984, the beginning of random assignment, through May 1987. Sample members have 12 to 32 months of participation follow-up data, depending on their date of random assignment. In counting activities, only the first instance of each type of activity following random assignment was included; participation is thus somewhat underestimated, since it was possible to take part in the same activities more than once.

In addition, MDRC sometimes used a different strategy for coding WIN activities than was used by ESARS. For instance, ESARS did not distinguish between ES referrals to unsubsidized jobs (a type of individual job search activity) and OJT job referrals. Therefore, MDRC did not count ESARS' records containing the codes for job development and job referral if they were dated prior to or during the same month as the start of an OJT job. Second, MDRC recorded each instance of OJT employment in its measure of "entered employment" (see Table 3.3), although for some OJT employees no "entered employment" record was entered into ESARS.

3. New Jersey JTPA Automated Reporting System. The JTPA system provided information on participation, from October 1984 to May 1987, in JTPA activities throughout the state. These data were used to monitor additional services received outside of WIN. Of primary interest was their use in measuring services that the control group received.[13]

4. Job Developer Interviews. MDRC staff conducted two rounds of interviews, from March to April 1985 and from September to October 1986, with OJT job developers. These interviews provided important information

on recruitment of enrollees and administration of the program.

5. Direct Information from Research Sites. This included telephone conversations with state officials and published state documents.

D. Program Costs

1. Support Payments Records. Data on childcare and training-related expenses (TRE) payments for the period between January 1986 and May 1987 were collected for a subsample of 377 experimentals and controls randomly assigned between January and June 1986. Childcare payment invoices maintained by the New Jersey DHS, Bureau of Employment Programs, and TRE payment records maintained by the New Jersey Department of Labor, Bureau of Unemployment Insurance Collateral Claims, were the sources of these data.

2. Fiscal Records and Agency Reports. To estimate the costs of WIN services, the Grant Diversion Project, and JTPA services, MDRC used the automated program records described above in conjunction with fiscal records and aggregate data on program activities. Fiscal records and agency reports yielded information on staff costs for providing activities and support services, on the total welfare grants diverted, and on the overhead costs of operating the program.

CHAPTER III

## IMPLEMENTATION OF THE OJT PROGRAM AND THE CONTEXT OF THE DEMONSTRATION

This chapter analyzes the implementation of the OJT program in the context of the full range of services available to experimentals and controls. Entrance into an OJT program can lead to a variety of employment and training experiences, all of which may influence subsequent employment and welfare behavior. Some enrollees move quickly into OJT jobs, complete their trial employment, and are retained as full-time, unsubsidized employees. Others never find OJT employment. In time, some members of this group stop waiting to be placed in an OJT job and begin other employment-related activities in an effort to find an unsubsidized job.

Sometimes OJT employees also take part in other activities, especially if the program takes a long time to place them in these jobs. For example, an individual accepted into this OJT program may first take part in a vocational training program to enhance her employability. Some individuals who start OJT jobs quit or get fired before the end of the contract period or at some point afterwards and return to the WIN system.

It is against this background that three sets of issues are discussed in this chapter. First, the chapter seeks to answer basic questions concerning the operation of the OJT program, such as: How many people eligible for OJT employment were placed in OJT jobs? What factors affected the number of placements into OJT positions? How long did the typical OJT employee have to wait before starting her OJT job? How long did employment in a subsidized OJT job usually last? How many OJT employees completed

their trial employment? And how many were retained as full-time, unsubsidized employees?

Second, the chapter measures the use of alternative WIN and JTPA services by experimentals who worked in OJT jobs and experimentals who did not. Two questions are of particular interest: To what extent did OJT employees receive additional employment-related services? Did experimentals who failed to get an OJT job try other means to find unsubsidized employment?

Finally, the chapter estimates the difference between experimentals' use of WIN and JTPA services and their expected use of services had they not had access to OJT employment. This is accomplished by comparing the participation rates of the experimentals and controls. As explained in Chapter I, controls were eligible to participate in all WIN and JTPA services except the OJT program.

In this chapter, the discussion of how the OJT program operated accounts for the experiences of all the experimentals. However, the detailed quantitative analysis of OJT employment and participation in alternative WIN and JTPA activities focuses on the 508 experimentals and 486 controls who comprise the early sample, which is the key sample for analyzing longer-term program effects. Equivalent tables for the full sample can be found in Appendix C.

## I. Administrative Setting of the OJT Program

During the period under study, the New Jersey WIN Demonstration Program was operated by the New Jersey Department of Labor (DOL), Employment Services (ES) Division, under contract with the New Jersey

Department of Human Services (DHS). (The ES also provides job search assistance for unemployed people not on welfare.) In eight of the nine counties participating in the OJT program, WIN staff worked in ES offices, had access to the agency's job bank, and shared information on area employment opportunities with regular ES job developers. Some WIN services were delegated wholly or in part to program staff from county welfare agencies or DHS, Bureau of Employment Programs, including counseling, arranging for childcare and other support services, appraising new registrants, and running job clubs. WIN staff also referred clients to JTPA and other education and training providers.

New Jersey's OJT program was a small component within the WIN Demonstration Program: During the second year of the OJT program, WIN registration in the nine OJT counties averaged about 80,000 per month. However, OJT job developers accepted only about 100 persons a month into the demonstration and randomly assigned half of them into the experimental group.[1]

Like other WIN Demonstration programs, New Jersey's program offered job search, work experience, and referral to education and training programs. The most heavily used component was job search, both individual and group. Group job search, or Job Club, involved one week of classroom instruction (resume' writing, job search, and job interview strategies, etc.), followed by a week of supervised job search. Participants in Job Club had access to WIN phone banks, ES job listings, and other resources. WIN staff also supervised individual job search activities -- primarily for clients who had already completed Job Club -- made job development contacts, and referred clients to employers who had advertised job openings with the ES.

Registrants could also take part in WIN Demonstration work experience, which involved up to 20 weeks of part-time, unpaid work at a government agency or not-for-profit organization, or they could enroll for up to one year of remedial education or vocational training sponsored by JTPA or WIN subcontractors. (Some registrants entered education or training programs on their own initiative; others were referred by WIN staff.) Participants in WIN job search, work experience, and WIN-sponsored education and training activities were eligible for support payments for transportation; for books, uniforms, or other training expenses; and for day care reimbursement.

## II. Implementation of the OJT Program

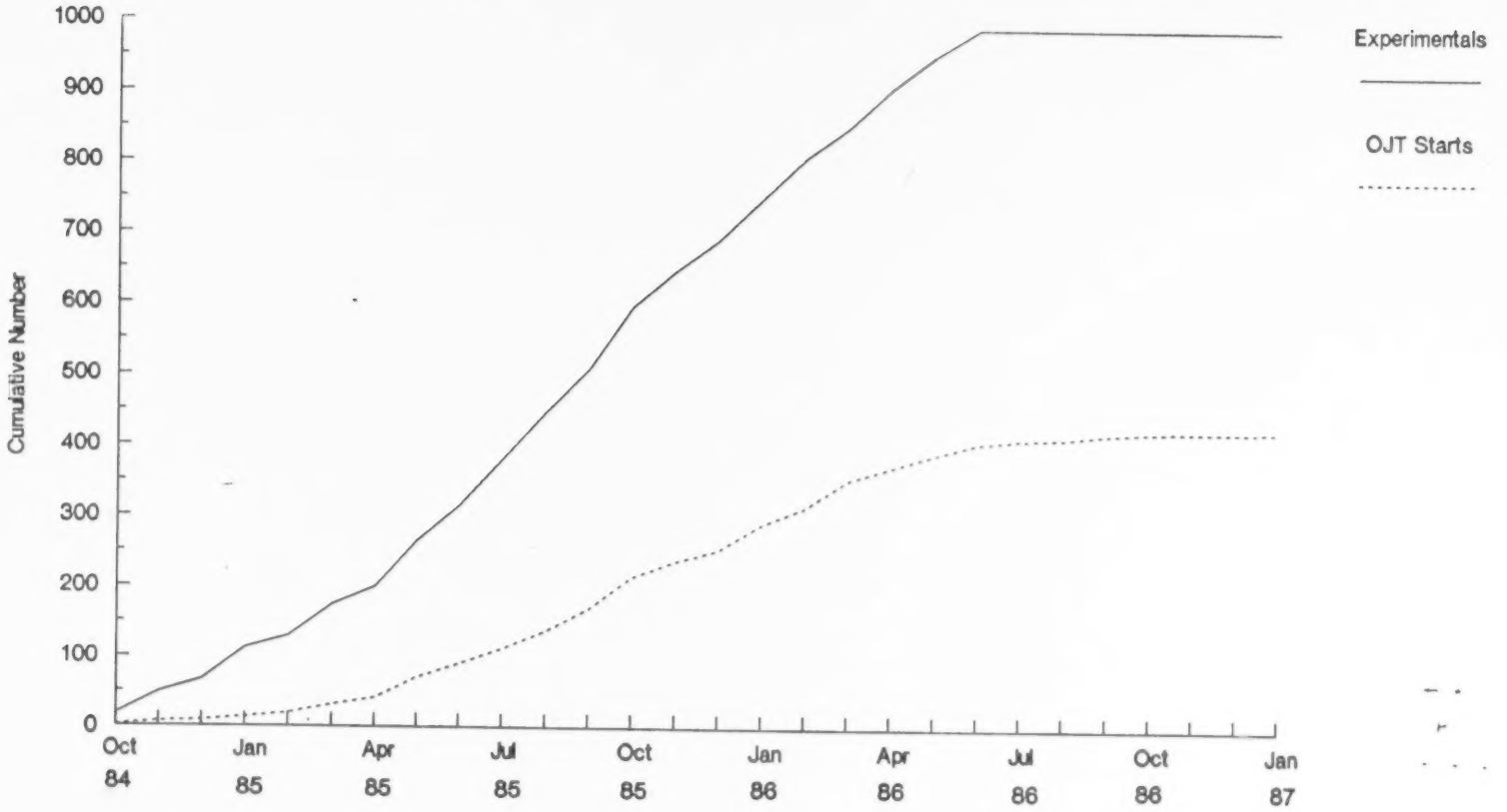
From October 1984 through December 1986, OJT job developers and New Jersey employers signed 447 contracts for employment of sample members in subsidized OJT jobs. (No new contracts were written for experimentals after this date, although a few experimentals continued working in OJT jobs during the first half of 1987.) During these 27 months, the program averaged nearly 17 new OJT jobs per month or 200 per year. (See Figure 3.1.) However, the pace of OJT job creation was uneven. Between October 1984 and March 1985, few experimentals were working in OJT positions. The most active period of OJT placements occurred over the following 12 months, when two additional counties, Hudson and Middlesex, came into the program. Relatively few experimentals were employed in OJT jobs after April 1986.[2]

At some point during the follow-up, 423 out of 988 experimentals (42.8 percent) worked in OJT jobs. Twenty-four experimentals (2.4 percent) worked in a second OJT job. Over time, job developers became more

FIGURE 3.1

NEW JERSEY

CUMULATIVE NUMBER OF EXPERIMENTALS AND CUMULATIVE NUMBER OF OJT STARTS
(FULL SAMPLE)



successful at placing experimentals in OJT jobs: Whereas 40.7 percent of experimentals in the early sample (randomly assigned between October 1984 and September 1985) were employed in OJT positions, the corresponding percentage for later sample experimentals (randomly assigned between October 1985 and June 1986) was 45 percent. During the demonstration, starting hourly wages for OJT employees averaged $4.43. Nearly 56 percent of OJT employees completed their trial employment, and all but one member of this group was retained as an unsubsidized employee.[3]

The percentage of experimentals employed in OJT jobs varied by county. (See Table 3.1 for the early sample and Appendix Table C.1 for the full research sample.) For the early sample, Hudson County recorded the highest percentage of experimentals employed in OJT jobs (64.4), followed by Essex (51.9), and Mercer (50.9). However, in five of the remaining six counties, fewer than 35 percent of experimentals were employed in OJT jobs. (In Camden County, the percentage was 41.7.) For the full sample, the percentage of experimentals employed in OJT jobs ranged from 25 percent in Middlesex to 62.2 percent in Hudson, with only Hudson and Camden (58.6 percent) employing more than half of this experimentals in OJT jobs.

On average, OJT employees in the early sample waited nearly two months between random assignment and the beginning of OJT employment. (See Table 3.1.)[4] However, the time between random assignment and the start of an OJT job varied considerably by county, ranging from 4.2 weeks in Essex to 12.2 weeks in Monmouth. During the second year of the demonstration, the waiting period to the start of an OJT job was cut in half, resulting in an average of about six weeks for the full research sample. (See Table C.1.)

OJT employees worked for a little over ten weeks, on average, before

TABLE 3.1

OJT EMPLOYMENT RATES, NUMBER OF WEEKS TO OJT START AND AVERAGE LENGTH OF OJT EMPLOYMENT, BY COUNTY (EARLY SAMPLE)

| Item | Atlantic | Burlington | Camden | Essex | Hudson | Mercer | Middlesex | Monmouth | Passaic | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Ever Employed in an OJT Position | 29.3 | 33.9 | 41.7 | 51.9 | 64.4 | 50.9 | 16.7 | 30.4 | 32.0 | 40.7 |
| Ever Employed in a Second OJT Position | 0.0 | 1.8 | 2.8 | 0.0 | 8.9 | 1.8 | 0.0 | 3.8 | 4.0 | 2.6 |
| Average Number of Weeks between Random Assignment and Start of OJT Employment[a] | 9.6 | 9.6 | 6.9 | 4.2 | 5.4 | 9.5 | 7.7 | 12.2 | 10.1 | 7.9 |
| Average Number of Weeks Employed in First OJT Position[a] | 12.2 | 12.2 | 8.0 | 11.6 | 7.0 | 13.5 | 5.1 | 8.6 | 9.1 | 10.2 |
| Sample Size | 58 | 56 | 72 | 79 | 45 | 57 | 12 | 79 | 50 | 508 |

SOURCE: MDRC calculations from New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: Employment rates are calculated as a percentage of the total number of experimentals in the indicated county.

Tests of statistical significance were not examined.

[a]Calculations are for individuals employed in an OJT position.

becoming unsubsidized employees or leaving their OJT jobs (the average length of stay remains the same when all OJT employees randomly assigned after October 1985 are included). Once again, there was considerable variation by county: The average number of weeks in an OJT job ranged from 5.1 in Middlesex to 13.5 in Mercer. (A range of similar magnitude is displayed in Table C.1.)[5]

These indicators highlight both the success and the limitations of New Jersey's OJT program. The New Jersey OJT program placed more enrollees in OJT jobs than any of the other five states chosen by OFA to run a grant diversion demonstration. On the other hand, the 200 new OJT jobs per year achieved by the New Jersey program fell well below the yearly target of 500 (later reduced to 350) which the state's program administrators had set. (It is common for OJT programs to place fewer enrollees than expected.)

OJT employment goals were projected to match the performance of the program prior to OBRA, which it did not do.[6] However, according to two other indicators of program success, the percentage of OJT employees who completed their trial employment (55.6) and the percentage of "OJT completers" who were retained as unsubsidized employees (99.6), New Jersey's OJT program performed as well as or better than the WIN OJT program had performed prior to OBRA.[7]

In the sections that follow, the discussion will focus on the details of running the OJT program in New Jersey. The description of the program is based largely on information provided in interviews conducted during September and October 1986 with each of the program's ten local OJT job developers; in interviews with three former job developers; and in periodic discussions with program administrators. Interviews conducted during March

and April 1985 with job developers in five of the seven counties that were running the program at that time provided additional information on the program during its start-up phase. Topics include the job development process, the strategy for matching sample members to available OJT jobs, and the factors that influenced the number of placements achieved by the program.

A. Staffing and Organization

As discussed in Chapter II, job developers had primary responsibility for program intake. They were also responsible for developing OJT positions, negotiating contracts, matching enrollees to OJT jobs, monitoring the progress of each OJT employee during her trial employment period, preparing the invoices for paying employer subsidies, keeping records, and preparing monthly reports on the program. Job developers received the title of Employment Services Specialist III, which ranked them one level above an entry-level professional within the ES/WIN organizational structure.

This relatively low status contributed to a high rate of turnover among the job developers, which adversely affected the implementation of the program. The principal cause of the movement of ES and WIN employees in and out of the position of job developer was the general reduction of New Jersey's WIN budget following OBRA. For example, in FY 1981, the last fiscal year prior to OBRA, New Jersey WIN spent nearly $1.5 million for OJT subsidies and program administration. By contrast, during FY 1986, the OJT program spent only about $600,000 for OJT wage subsidies and administrative costs.[8] The reduction in federal spending for WIN forced New Jersey DOL to cut back the number of ES WIN staff positions and reduce services to

welfare recipients.

Following New Jersey civil service regulations governing Reductions in Force, WIN staff at higher titles were thus demoted to Employment Specialist III despite lack of experience. Many of these sought promotions as jobs became available. Some individuals who were already working as job developers were required to transfer to other counties in order to maintain their civil service ranking. In all, only one of the seven original grant diversion counties had a job developer who remained on the job from October 1984 through the end of the project. According to job developers and program administrators, Reductions in Force and staff turnover created a situation in some counties in which new job developers came into unfamiliar labor markets and had to learn their jobs and make new contacts with area businesses before they could perform effectively. In some counties, however, the OJT program hired job developers who were experienced at writing OJT contracts through prior work with ES/WIN, CETA, or JTPA.

Lack of funds also forced OJT program job developers in most counties to devote at least part of their work day to other duties in the WIN system. Only four of the nine grant diversion counties (Camden, Mercer, Monmouth, and Passaic) budgeted for full-time job developers; and in one of these, the two job developers interviewed stated that they spent 35 to 50 percent of their time as regular WIN counselors, referring clients to unsubsidized jobs made available through the ES.[9] In the other five grant diversion counties, job developers' time was paid out of regular WIN funds; and four of the seven job developers interviewed stated that they spent 50 percent or less of their time performing tasks connected to the OJT program. (Two more estimated that they worked 75 percent of the time.)

During the rest of their working day, job developers in these counties performed a variety of functions within the WIN system, including referrals to unsubsidized employment, counseling, supervising individual job search, referrals to work experience positions, and recordkeeping.[10] As one job developer put it, "since the RIF [reduction in force], everyone around here wears ten hats." Budget cuts also eliminated childcare and transportation payments for OJT program participants after October 1985.

B. The Job Development Process

Most job developers interviewed stated that the majority of OJT placements resulted from their contacting area employers and working out an OJT contract. Half the job developers stated that they sometimes used ES job listings or want ads in local newspapers and then contacted employers. Less frequently, employers came to ES/WIN and asked to sponsor an OJT position. According to job developers, few enrollees conducted their own job development.[11]

Most job developers stated that they did not seek out OJT positions on the basis of their potential for skills training. Getting welfare clients employed was a higher priority, even if the job developers believed that the employer was looking for someone who could work productively right away. All job developers, however, asserted that they sought OJTs with employers who would provide medical benefits. In seven of nine counties, job developers stated that they would not usually write an OJT contract for a job that paid less than $4 per hour.

OJT jobs varied by county, in part because of the character of local job markets and in part because one or more employers within particular counties sponsored multiple OJT positions. For instance, in Atlantic

County, both JTPA and the OJT program placed clients into jobs in casinos; in Mercer County, which includes Trenton, the state capital, government agencies were an important source of employment; in Camden County, a number of experimentals worked at industrial laundries; in Middlesex County, six out of the county's ten OJTs were for assembly jobs at one electronics firm; and in Passaic County, two employers accounted for 20 OJTs in packaging and material handling. The majority of OJT positions were clerical jobs (clerk/typist; secretary; mail clerk; data clerk; receptionist; cashier; bank teller; bookkeeper; shipping clerk); service jobs (nurse's aide; teacher's aide; laboratory assistant; food service worker; security guard; janitorial staff; laundry worker); or packaging, assembly, or light manufacturing jobs (inspector; packager; assembler; collator; material handler).

Job developers offered a variety of reasons for their success in placing welfare recipients. Veterans of the ES stated that they drew on longstanding relationships with area businesses for placements through the OJT program; and one job developer stated that businesspersons in her county were well informed about OJT contracts through the OJT program and through a similar program run by JTPA. Two additional job developers claimed that OJTs were available for those job developers who worked energetically to find them.

In six of the nine counties, job developers stated that they had greater success in placing OJT participants with small or medium-sized companies than with large employers.[12] The most common reason given was that the wage subsidy was more likely to attract a small employer to the program than a large employer. Job developers also cited difficulties in

convincing large employers to hire disadvantaged women with little work experience or training. Further, in counties whose welfare populations included a high percentage of Hispanics (Hudson, Middlesex, and Passaic), job developers cited problems in placing welfare recipients who did not speak English. Three job developers also stated that large employers were located away from the central cities and were not accessible through public transportation.

C. Characteristics of OJT Participants

In trying to fill OJT positions, job developers sometimes had to weigh conflicting factors. First, they needed to maintain good relations with area employers to encourage future use of the program. This meant that they needed to choose candidates who would both make a good impression when they interviewed for a job and were likely to perform their jobs well enough to be retained after the trial employment period. On the other hand, job developers expressed a commitment to helping disadvantaged people find better jobs than they were likely to find on their own.

Most job developers expressed a concern that candidates for available OJT positions be appropriate for the jobs at hand. Job developers stated that they read client profiles and interviewed current and prospective enrollees, trying to find clients whose work experience, skills, and interests matched the requirements of available OJT jobs. Good work habits, good appearance, positive attitude, and motivation were also cited as characteristics that attracted job developers to particular clients. Half the job developers also stated that they "hedged their bets" by sending more than one client to interview for the same OJT position.

Sometimes, when job developers believed that enrollees in the OJT

program lacked the skills or experience to fill an available OJT position, they asked colleagues at ES/WIN to recommend a welfare recipient who appeared to have the appropriate background and then recruited that person for the program. Normally, this strategy of trying to fill available jobs from outside the ranks of current enrollees would increase the likelihood of an OJT placement (although if carried out frequently enough, it could also result in many enrollees never finding OJT employment). However, random assignment often foiled this strategy, since half of these prospective OJT employees recruited by job developers were randomly assigned to the control group. For this and other reasons, OJT job developers cited random assignment as a hindrance to their jobs.

The comments of job developers suggest that enrollees who were placed in OJT jobs were more job-ready than those who were not. However, these comments are only partially reflected in the demographic characteristics of OJT employees. (See Tables 3.2 for the early sample and C.2 for the full sample.) Among experimentals in the early sample, 44.4 percent of high school graduates worked in OJT jobs, compared to only 36 percent of high school dropouts. Likewise, experimentals who had worked in a regular job at some point were more likely (by nearly 6 percentage points) to be employed in an OJT job than experimentals who had never held a job. On the other hand, the percentage of OJT employees among experimentals who had received welfare for more than two years in their lives (42.7 percent) was higher than the corresponding percentages for experimentals who had shorter histories of welfare receipt. Similarly, a higher percentage of experimentals who reported no earnings during the year prior to random

TABLE 3.2

NEW JERSEY

ON-THE-JOB TRAINING EMPLOYMENT RATES WITHIN SELECTED SUBGROUPS
(EARLY SAMPLE)

| Characteristic | Subgroup Size | Ever Employed in an OJT Position |
|---|---|---|
| WIN Status | | |
| Mandatory | 415 | 38.6% |
| Non-Mandatory | 93 | 50.5 |
| Age | | |
| Less than 19 Years | 1 | 0.0 |
| 19-24 Years | 70 | 37.1 |
| 25-34 Years | 249 | 45.0 |
| 35-44 Years | 148 | 37.2 |
| 45 Years or More | 40 | 35.0 |
| Ethnicity | | |
| White, Non-Hispanic | 85 | 34.1 |
| Black, Non-Hispanic | 364 | 39.3 |
| Hispanic | 55 | 61.8 |
| Other | 2 | 0.0 |
| Degree Received | | |
| None | 200 | 36.0 |
| GED | 62 | 41.9 |
| High School Diploma | 243 | 44.4 |
| Any Children[a] | | |
| Less than 6 Years | 115 | 49.6 |
| Between 6 and 18 Years | 433 | 40.4 |
| Prior AFDC Dependency | | |
| Never on AFDC | 12 | 33.3 |
| Less than 4 Months | 34 | 38.2 |
| 4 Months to 2 Years | 86 | 34.9 |
| More than 2 Years | 375 | 42.7 |
| Number of Months Received AFDC during Year prior to Random Assignment[b] | | |
| 0 Months | 30 | 26.7 |
| 1 to 12 Months | 478 | 41.6 |

(continued)

TABLE 3.2 (continued)

| Characteristic | Subgroup Size | Ever Employed in an OJT Position |
|---|---|---|
| Held a Job at Any Time prior to Random Assignment | | |
| No | 67 | 35.8 |
| Yes | 440 | 41.6 |
| Reported Earnings during Year prior to Random Assignment | | |
| None | 306 | 45.1 |
| $1-$1000 | 128 | 35.9 |
| $1001-$3000 | 45 | 37.8 |
| $3001-$5000 | 16 | 25.0 |
| Over $5000 | 11 | 18.2 |
| All Experimentals[c] | 508 | 40.7 |

SOURCE: Calculations from MDRC Client Information Sheets, New Jersey DHS Family Assistance Management Information System and New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: [a]Sample sizes for Any Children add to more than 508 because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System and New Jersey WIN Grant Diversion Project On Board Summary Reports.

[c]For selected characteristics, the number of experimentals may vary up to 17 sample points due to missing data.

assignment were placed in OJT jobs than experimentals who had reported earnings.[13]

These indicators capture only a few dimensions of job-readiness and do not account for personal characteristics such as motivation to work or self-confidence. Still, the data suggest that the ranks of OJT employees included many whose demographic characteristics and employment and welfare histories would normally place them at a disadvantage in the labor market. Further, as the program took in a higher percentage of sample members with significant barriers to employment, OJT employment rates among more overtly disadvantaged sample members improved over time.

D. Job Developers' Assessment of the Program

Nearly all the job developers interviewed believed that OJT programs benefited welfare recipients and hoped that New Jersey would continue to run an OJT program funded by grant diversion. However, they also criticized the program and suggested ways to improve it. In addition, job developers cited several reasons why the number of placements would probably be limited under any circumstances.

When asked why more enrollees weren't placed in OJT jobs, nearly all the job developers interviewed pointed to at least one problem with the labor market in their area that hindered their efforts to place welfare recipients into OJT jobs. These problems included: a shortage of entry-level jobs that offered training; a shortage of jobs that paid enough to compensate for the loss of welfare and other benefits; the inaccessibility of jobs for individuals who had to rely on public transportation; the unwillingness of employers to hire welfare recipients; and prejudice against minorities or non-English speakers. Further, in six of the nine

counties, job developers felt that ES/WIN had fewer opportunities to place a client in an OJT job than it had at the beginning of the decade. In three counties, job developers blamed economic changes, especially the movement of large employers out of the area. Four job developers stated that they had lost access to state and county agencies as OJT employers because of cuts in agency budgets. In three interviews, job developers also cited competition with JTPA's OJT program as a factor that worked against placing welfare clients through the OJT program.

The job developers also commented that random assignment denied them access to those individuals best suited to fill OJT positions. More than half of the job developers claimed that they lost OJT positions altogether because they couldn't find a comparable candidate among the experimentals. Additional reasons given for the shortage of employable welfare recipients included the overall drop in New Jersey's welfare caseload and regulations governing the OJT program that prevented the inclusion of unemployed parents in two-parent families (AFDC-Us) -- AFDC-U recipients were eligible for OJT jobs during the WIN OJT program prior to OBRA and became eligible again in January 1987, when New Jersey started funding the program with Title IV-A money.[14]

Most job developers felt that the program would have employed more enrollees had more funding been available for job development and had OJT employees been eligible to receive transportation and childcare payments. Three job developers complained that the state ought to have publicized the OJT program more effectively, and two asserted that it was slow to reimburse employers for OJT wages.

## III. Participation of Experimentals and Controls in OJT and Other Activities

This section describes the participation of experimentals in WIN and JTPA activities within 12 months of random assignment. As previously discussed, OJT employees could also participate in alternative WIN and JTPA activities prior to or after OJT employment. In fact, all but WIN volunteers (18 percent of the sample) were required to participate in alternative employment-related activities if they were not placed in OJT jobs.

Table 3.3 displays the full range of WIN and JTPA activities in which experimentals were active during the 12 months following random assignment. The data demonstrate that experimentals used WIN and JTPA services extensively. During the 12 months following random assignment, 83.9 percent of experimentals were active in one or more WIN activities, including OJT employment, or in JTPA activities. The most common activity was job search (62.2 percent). Participation in Job Club, individual job search, job developer contact, and job referral were considered job search activities. OJT employment (39.8 percent) was the second most used service. A small percentage of experimentals (6.9 percent) also participated in work experience. However, a relatively high percentage of experimentals (20.7 percent) participated in a JTPA activity. There was generally little difference in participation of experimentals for the early sample compared to the full sample, although participation in JTPA-sponsored activities was somewhat more common in the early sample (see Appendix Table C.3).

Experimentals who participated in one activity often took part in a second (see Table 3.4). In all, 38.1 percent participated in more than

TABLE 3.3

NEW JERSEY

PERCENT INVOLVED IN SPECIFIED ACTIVITIES
WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP
(EARLY SAMPLE)

| Activity Measure | Experimentals | Controls |
|---|---|---|
| Ever Active | 83.9% | 73.0%*** |
| Participated in Any WIN Component[a] | 82.3 | 70.2*** |
| Any Job Search | 62.2 | 66.3 |
| Individual Job Search | 42.3 | 45.1 |
| Job Developer Contact | 21.3 | 25.9* |
| Job Referral | 20.7 | 31.7*** |
| Group Job Search | 22.0 | 24.5 |
| WIN Referrals to Training | 10.0 | 9.5 |
| WIN Institutional Training | 0.6 | 0.0 |
| Non-WIN Institutional Training[b] | 8.7 | 6.8 |
| Non-WIN Subsidized Employment | 1.2 | 2.7 |
| Work Experience | 6.9 | 7.6 |
| OJT Employment | 39.8 | 0.0*** |
| Participated in Any JTPA Training | 20.7 | 17.1 |
| Vocational Training | 15.2 | 11.7 |
| Education (Remedial or Academic) | 1.2 | 1.0 |
| Employment Preparation | 0.4 | 1.0 |
| Job Search or Work Experience | 7.1 | 4.3* |
| JTPA-Provided OJT | 0.8 | 2.9** |
| Deregistered | 42.5 | 38.5 |
| Due to Sanctioning | 5.5 | 4.5 |
| Entered Employment[c] | 65.4 | 46.7*** |
| Sample Size | 508 | 486 |

(continued)

TABLE 3.3 (continued)

SOURCE: MDRC calculations from New Jersey ESARS, New Jersey WIN Grant Diversion Project On Board Summary Reports and New Jersey JTPA Automated Reporting System.

NOTES: Activity measures are calculated as a percentage of the total number of persons in the indicated research group. The twelve-month follow-up period begins at the point of random assignment.

Active is defined as attendance at any WIN or JTPA component or employment in an OJT position for at least one day.

A chi-square test was applied to differences between research groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]WIN components include Job Search, WIN Referrals to Training, Work Experience and OJT Employment.

[b]Non-WIN Institutional Training includes WIN Referrals to JTPA.

[c]Rates include entry into OJT employment as well as entry into unsubsidized jobs that was reported to program staff and recorded in ESARS. These data were not used to measure employment impacts elsewhere in the report.

TABLE 3.4

NEW JERSEY

PARTICIPATION PATTERNS
WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT,
BY RESEARCH GROUP

| Activity Measure | Experimentals | Controls |
|---|---|---|
| Active in: | | |
| Job Search Only | 29.1% | 48.4% |
| Training Only | 3.3 | 5.8 |
| Work Experience Only | 0.2 | 0.6 |
| OJT Only | 13.2 | 0.0 |
| Job Search and Training | 6.9 | 11.3 |
| Job Search and Work Experience | 2.2 | 4.5 |
| Job Search and OJT | 15.6 | 0.0 |
| Training and Work Experience | 0.2 | 0.4 |
| Training and OJT | 3.9 | 0.0 |
| Work Experience and OJT | 0.6 | 0.0 |
| Job Search, Training and Work Experience | 2.2 | 2.1 |
| Job Search, Work Experience and OJT | 0.6 | 0.0 |
| Job Search, Training and OJT | 4.9 | 0.0 |
| Training, Work Experience and OJT | 0.2 | 0.0 |
| All Four Activities | 0.8 | 0.0 |
| Never Active | 16.1 | 27.0 |
| Total | 100.0 | 100.1 |
| Sample Size | 508 | 486 |

SOURCE: MDRC calculations from New Jersey ESARS, New Jersey WIN Grant Diversion Project On Board Summary Reports and New Jersey JTPA Automated Reporting System.

(continued)

TABLE 3.4 (continued)

NOTES: Activity measures are calculated as a percentage of the total number of persons in the indicated research group. The twelve-month follow-up period begins at the point of random assignment.

Distributions may not add to 100.0 percent due to rounding.

Active is defined as attendance at any WIN or JTPA component or employment in an OJT position for at least one day.

Training includes WIN referrals to training and all JTPA activities. Job Search, Work Experience and OJT refer to WIN activities only.

one activity. A third of experimentals combined job search with one or more additional activities, including 21.9 percent who combined job search and OJT employment. Only 13.2 percent of experimentals worked in OJT jobs and did not participate in another activity. These experimentals may have been more job-ready and less in need of the full range of services. Those not employed in OJT positions were also likely to take part in multiple activities. The activity pattern for experimentals in the early sample resembles that displayed by the full sample, except that OJT employees in the early sample were somewhat more likely to have participated in additional training (see Appendix Table C.4).

A. WIN and JTPA Activities of Experimentals in OJT Positions

It was expected that those in OJT employment would be less likely to use alternative services. A comparison of participation rates of OJT employees and other experimentals shows this to be true for WIN activities but not for JTPA. Somewhat unexpectedly, the experimentals in OJT positions were more likely to participate in a JTPA activity, especially vocational training. Referral from their job developers and their established "job readiness" may have helped these experimentals get into JTPA activities. Experimentals in OJT positions most commonly combined their OJT with job search activities, although they also had substantial use of additional WIN or JTPA training.

The use of alternative WIN and JTPA services by those in OJT positions can be further explored by looking at the timing of these activities in relation to the start of OJT employment. If the activity took place before OJT employment, it suggests that the experimentals were referred to these components to increase their job-readiness and improve their chances of

being hired by an OJT employer. If the activity took place after the OJT job began, it may have been necessary to help the experimentals keep their jobs, obtain better jobs, or find another job if they quit their OJT jobs or were fired. Most experimentals in OJT positions using alternative services did so before their OJT job began, receiving additional work preparation following random assignment. However, there was also notable use of individual job search (41 people) and JTPA-sponsored vocational training (15 people) after the OJT job ended.

B. Employment and Deregistration of Experimentals

Sixty-five percent of experimentals found employment within 12 months of their random assignment, according to the WIN tracking system (see Table 3.3). OJT employment is included in this employment rate. This high employment rate indicates that experimentals not in OJT positions were also getting unsubsidized jobs.

A fairly high percentage of experimentals (42.5 percent) were deregistered within 12 months of follow-up. Only 5.5 percent of experimentals (28 individuals) were sanctioned. Of these, 21 individuals were not employed in an OJT job. The results for the full sample were very similar (see Appendix Table C.4).

C. Participation of Controls in WIN and JTPA Activities

As emphasized, this evaluation compares two program streams: regular WIN and JTPA services plus eligibility for an OJT position versus regular WIN and JTPA services alone. The activities of the control group provide a measure of services likely to have been received by experimentals without the OJT program.

Control group members were eligible for all alternative WIN services

as well as JTPA services. Controls were treated like other WIN recipients who showed interest in participating in employment-related activities. Staff assessed their employment needs, provided counseling and job leads, referred them to other training or education providers, and arranged for support services. Some job developers who assessed both experimentals and controls also indicated that they steered promising members of the control group to a JTPA training program or referred them to the regular ES job developer.

Rates of participation in employment-related activities of controls, as reflected in participation records from the automated tracking systems of WIN and JTPA, are presented in Table 3.3. Most strikingly, the control group was very highly served. This participation rate is considerably higher than the participation rates of the control groups in other state welfare employment initiatives evaluated by MDRC -- higher indeed than the participation rates of experimentals in some of these demonstrations.[15] The New Jersey OJT program recruitment process largely explains the high rate of control services. As discussed in Chapter II, the program enrollees were recruited from participants in existing services, especially Job Club, in the regular WIN system.

Seventy-three percent of controls were active in some employment-related activity during the 12-month follow-up period (see Table 3.3). More than 70 percent were active in at least one WIN component. Controls were especially likely to take part in job search activities (66.3 percent). A much smaller percentage (7.6 percent) participated in WIN-sponsored work experience. In addition, 17.1 percent of controls took part in JTPA-sponsored activities, mostly vocational training (57 controls took

part in this service; only 14 were placed in a JTPA-sponsored OJT job). The percentage of controls in activities in the early sample is comparable to those active in the full sample, although the full sample had a slightly higher rate of participation in work experience (8.5 percent). (See Appendix Table C.3.)

The controls could also participate in more than one activity within the follow-up period. Table 3.4 reveals, nonetheless, that they generally participated only in job search (48.4 percent). An additional 17.9 percent combined job search with training, work experience, or both. Only a few controls participated in training or work experience without job search. Their lack of use of additional services may be due to their ability to find employment through job search activities. The control group participation patterns were comparable for the full sample (see Appendix Table C.4).

D. Employment and Deregistration of Controls

Almost 47 percent of controls were employed within 12 months of follow-up, according to WIN records, and 38.5 percent were deregistered (see Table 3.3). Only 4.5 percent were deregistered as the result of sanctioning. The full sample results on employment and deregistrations were very similar, except for a slightly higher rate of sanctioning (6 percent). (See Appendix Table C.3.)

E. Employment and Training Activities of Experimentals and Controls Compared

Adding OJT employment to other WIN and JTPA services increased the likelihood of participation in some employment-related activity. Five out of six experimentals were employed in an OJT job or took part in another

WIN or JTPA activity within 12 months of random assignment. The control group average (73 percent) was also high, but was still 11 percentage points below the rate for experimentals. In addition to OJT employment, experimentals were more likely to participate in JTPA activities, whereas controls were more likely to participate in job search and work experience.

A significantly higher percentage of experimentals entered employment within 12 months of follow-up (65.4 percent) compared to 46.7 percent for controls. A higher percentage of experimentals (42.5 percent) were also deregistered compared to controls (38.5 percent). (This is not statistically significant, however.)

Participation in employment-related activities most likely affected the subsequent employment and welfare behavior of both experimentals and controls. (These are examined in Chapter IV.) In interpreting the differences in employment, earnings, and welfare receipt between the two research groups, it is important to keep in mind the findings of this chapter: (1) most experimentals did not work in OJT jobs, but nearly all experimentals participated in some employment-related activity; (2) controls, like experimentals, were very highly served; and (3) both groups made extensive use of job search and training services.

# CHAPTER IV

# PROGRAM IMPACTS

## I. Introduction and Summary

### A. Key Research Questions and Research Issues

New Jersey's on-the-job-training program sought to increase employment and earnings and reduce welfare dependency. This chapter reports on the effectiveness of the program in attaining these goals, both in the short term, when many experimentals were in OJT positions, and in the longer term, after the vast majority of those placed in on-the-job-training positions were no longer receiving subsidies.

To determine the effect of having been assigned to any program, two basic questions must be answered. First, on average, what happened to those who were assigned to the program? Second, on average, what would have happened to them had they not been assigned to the program? The effect, or "impact," of having been assigned to a program is the difference between these two average outcomes.

If sample members become "experimentals" or "controls" completely at random, there are no systematic measured or unmeasured differences between the two groups before program treatment. As was shown in Chapter II, measured differences in average characteristics between experimentals and controls for this evaluation were slight.[1] Thus, average outcomes among controls provide accurate benchmarks for what average outcomes would have been among experimentals had the treatment not been available to them, and differences in average outcomes between experimentals and controls measure

the program's effects. Even without help from the program, most sample members found employment and/or left the AFDC rolls within a fairly short time. Average outcomes among controls document this background level of caseload turnover. The impacts reported here do not credit the program for the increased employment and reduced AFDC dependency that would have occurred even in its absence.

Several considerations should be kept in mind when interpreting these results. First, the program impacts presented here are impacts of assignment to eligibility for one stream of services versus assignment to eligibility for another stream of services. Controls could receive JTPA and regular WIN services; experimentals were eligible both for these services and for on-the-job training. Thus, the results are incremental impacts, measuring the effect of adding on-the-job training to the mix of services already available for the adult welfare population in New Jersey.

Second, not everyone who was assigned to experimental status participated in on-the-job training: Only 369 of the 814 experimentals in the short-term impact sample, and only 207 of the 508 experimentals in the early sample, were placed in subsidized jobs. However, everyone assigned to experimental status was included when calculating impacts of assignment to on-the-job training. Thus, impact estimates average net outcomes for all experimentals, including the large share of experimentals who were not placed in on-the-job-training positions. Therefore, impacts measure not the impact of placement in on-the-job-training positions, but rather of assignment to the group eligible for on-the-job training.[2]

Third, because of data limitations, the same sample could not be used for all impact analyses. Earnings outcomes for the first two quarters were

not available except for the short-term impact sample of 1,604 assigned from April 1985 through June 1986 (see Chapter II, Table 2.5). Because earnings beyond quarter four were available only for members of the early sample already described in Chapter III, that sample had to be used to analyze longer-term, post-program impacts. All tables in this chapter have been labeled either "short-term impact sample" or "early sample" to distinguish the two groups. There is some reason to believe that had it been possible to observe outcomes for the full sample for all periods, full-sample impacts would be somewhat smaller than those for the short-term sample, but somewhat larger than those for the early sample.

Fourth, AFDC data measure impacts on people, not on government outlays. As explained in Chapter II, the impact data do not include welfare funds diverted to wage subsidies. These data capture only the AFDC grant amounts that individuals received directly. (The implications for the government budget are explored in Chapter V.)

Finally, earnings data include earnings from both on-the-job-training positions and unsubsidized employment. Employment data include employment in both subsidized and unsubsidized positions. Thus, any measurable short-term impacts are bought in part with government subsidy dollars transferred to participating employers. Longer-term outcomes, after the vast majority of on-the-job-training contracts had ended, are almost entirely free of such subsidized earnings and employment. Training contract starting times and durations varied considerably. However, the approximate dividing line between predominantly in-program and post-program periods was drawn at the end of the fourth quarter. More than 94 percent of contracts had ended by

then, and all but two of the remainder had ended by quarter six.[3] (See Table 4.1.)

B. Summary of Overall Impacts

The on-the-job-training program had sustained impacts on earnings and AFDC income, both during the predominantly in-program period ending in quarter four, and after the vast majority of participants had left the program. Impacts on employment rates and on rates of receipt of AFDC tended to weaken by the predominantly post-program period.

The program led to more work and higher earnings for members of the short-term impact sample during the first year after enrollment. Impacts on employment rates were substantial in quarters one and two, reaching 15.3 and 13.1 percentage points, respectively, but then fell off sharply in quarters three and four. Impacts on earnings peaked in quarter two, dipped during quarter three, but improved slightly in quarter four.

Reflecting these earnings impacts, there were notable reductions in receipt of AFDC and amounts of AFDC income from the second through fifth quarters. The timing of these reductions partly reflects lags due to retrospective budgeting of AFDC grants in New Jersey. During quarter four, 5.6 percentage points fewer experimentals than controls were receiving AFDC payments. During the first year of follow-up, experimentals averaged $3,104 in AFDC income, compared to $3,369 for controls. The difference, $265, amounts to a savings of 8 percent.

For the early sample of 994 assigned from October 1984 through September 1985, there was earnings follow-up from quarters three through seven, and AFDC follow-up from quarters one through eight. Attention was focused on impacts from quarter five onward because that was a

TABLE 4.1

NEW JERSEY

DISTRIBUTION OF EXPERIMENTALS EMPLOYED IN OJT POSITIONS,
BY PERIOD WHEN LAST OJT JOB ENDED
(SHORT-TERM IMPACT SAMPLE)

| Period when Last Employed in Subsidized OJT Position | Number | Percent | Cumulative Percent |
|---|---|---|---|
| Quarter of Random Assignment | 105 | 28.5 | 28.5 |
| Quarter 2 | 152 | 41.2 | 69.6 |
| Quarter 3 | 63 | 17.1 | 86.7 |
| Quarter 4 | 29 | 7.9 | 94.6 |
| Quarter 5 | 12 | 3.3 | 97.8 |
| Quarter 6 | 6 | 1.6 | 99.5 |
| Quarter 7 | 2 | 0.5 | 100.0 |
| Sample Size | 369 | 100.0 | |

SOURCE: MDRC calculations from New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: 369 of the 814 experimentals randomly assigned between April 1985 and June 1986 were employed in at least one OJT position.

Quarterly percentages may not sum to cumulative percentages due to rounding.

predominately post-program period. In all quarters, impacts on earnings were favorable, and in all quarters except the first, welfare income was reduced. Earnings impacts peaked in quarters five and six; reductions in AFDC income fell off after quarter six. However, there were no strong impacts on rates of employment, which suggests that the earnings impacts came not from more jobs for experimentals, but from better jobs. Over quarters five through seven, the program increased earnings by $468, almost 15 percent of the control average of $3,159 in earnings. Over quarters five through eight, the programs reduced AFDC income by $238, almost 11 percent of the control average of $2,184 in AFDC income. The program also reduced the number of months receiving AFDC during quarters five through eight; this impact was 0.5 months on a control base of 5.9 months.

## II. Impacts for the Short-term Impact Sample

The success of a wage subsidy program in increasing participants' in-program employment and earnings depends on the relative strengths of four program effects. First, subsidizing participants' salaries ought to make it less expensive for employers to hire them instead of other workers. Second, preliminary screening by the job developer could give employers more information about program participants than about other job applicants, thus reducing the risk that participants would be unsatisfactory employees, and moving them ahead in the queue for jobs. Third, Burtless (1984) and others have pointed out that identifying participants to employers as disadvantaged could have a "stigma effect" that might reduce their employment rate. (However, this effect might be smaller in an OJT program like New Jersey's, where job developers contracted with employers

to place welfare recipients, than it would be in a program like the one studied by Burtless, in which welfare recipients were given wage subsidy vouchers and told to conduct their own job search.) Finally, there could also be a "screening effect": To the extent that employers are able to screen participants even further and hire only those they would have hired without the subsidy, state funds spent on subsidies would merely provide windfalls to employers and have no effect on employment rates or earnings. If the subsidy and information effects outweigh the stigma and screening effects, assignment to on-the-job training should lead to higher in-program employment rates and earnings.

At placement, the total amount of the AFDC grant is frozen, but the portion paid to the participant is reduced to reflect income due to earnings. Thus, the amount of AFDC income a subsidized worker actually receives should fall, although rates of welfare receipt may not fall as sharply. Since those placed in subsidized jobs may keep part of their AFDC grants for a time and since employers supplement the grants with wages, total income for participants should rise during the in-program period.

The overall in-program effect of assignment to on-the-job training is composed of its effects on both those who are and are not placed in subsidized jobs. Even though the overall effect may be positive, the effect on those not placed might be negative.[4] Some program participants might be caught for a while between job developers raising their wage expectations and employers screening them out when positions become available. Eventually, those who are not placed in subsidized jobs, but who can find less desirable jobs on their own, might do at least as well in the labor market as they would have without the on-the-job-training program. However, for a

time, their employment rates and earnings might be depressed below what they would have been without the program.

A. Short-term Labor Market Impacts

For the 1,604 members of the short-term impact sample assigned from April 1985 through June 1986, Table 4.2 and Figure 4.1 show substantial employment-rate impacts.[5] The program resulted in a 7.4 percentage point increase in the proportion of experimentals ever employed during the first year after random assignment. This impact was statistically significant.[6] Even without the program, the cumulative rate of employment during this period would have been extremely high with almost three-fourths of controls finding employment within the first year after random assignment.

Quarter-by-quarter impacts were sometimes much larger than the cumulative impact, but they were not stable. Rates of employment were 15.3 percentage points higher for experimentals in the first quarter, on a control base of 40.1 percent, and 13.1 points higher in the second quarter, on a control base of 48.7 percent.[7] However, employment-rate impacts dropped steeply in quarter three. This drop seems due mainly to a decline in the experimentals' employment rate to 55.3 percent, just below where it started in quarter one. The end of OJT employment for a substantial number of experimentals in the second quarter (according to Table 4.1, more than 40 percent of them) may explain this decline. During this same period, the control employment rate rose fairly steadily, and had come within 2.5 percentage points of the experimental rate by quarter four.

Both experimentals and controls apparently moved in and out of employment, as reflected by cumulative employment rates that were substantially higher than the quarterly rates. Experimentals were also employed during

TABLE 4.2

NEW JERSEY

IMPACTS ON EMPLOYMENT RATES AND EARNINGS
(SHORT-TERM IMPACT SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Ever Employed, Quarters 1-4 (%) | 82.1 | 74.7 | 7.4*** | 0.000 |
| Average Number of Quarters with Employment, Quarters 1-4[a] | 2.28 | 1.93 | 0.35*** | 0.000 |
| Ever Employed (%) | | | | |
| Quarter of Random Assignment | 55.4 | 40.1 | 15.3*** | 0.000 |
| Quarter 2 | 61.8 | 48.7 | 13.1*** | 0.000 |
| Quarter 3 | 55.3 | 50.8 | 4.5* | 0.066 |
| Quarter 4 | 55.8 | 53.3 | 2.5 | 0.310 |
| Average Total Earnings, Quarters 1-4 ($)[a] | 3500.06 | 2865.78 | 634.28*** | 0.002 |
| Average Quarterly Earnings ($)[a] | | | | |
| Quarter of Random Assignment | 476.55 | 357.43 | 119.12*** | 0.006 |
| Quarter 2 | 916.73 | 699.08 | 217.66*** | 0.000 |
| Quarter 3 | 1007.89 | 868.64 | 139.25** | 0.036 |
| Quarter 4 | 1098.89 | 940.63 | 158.26** | 0.024 |
| Sample Size | 814 | 790 | | |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

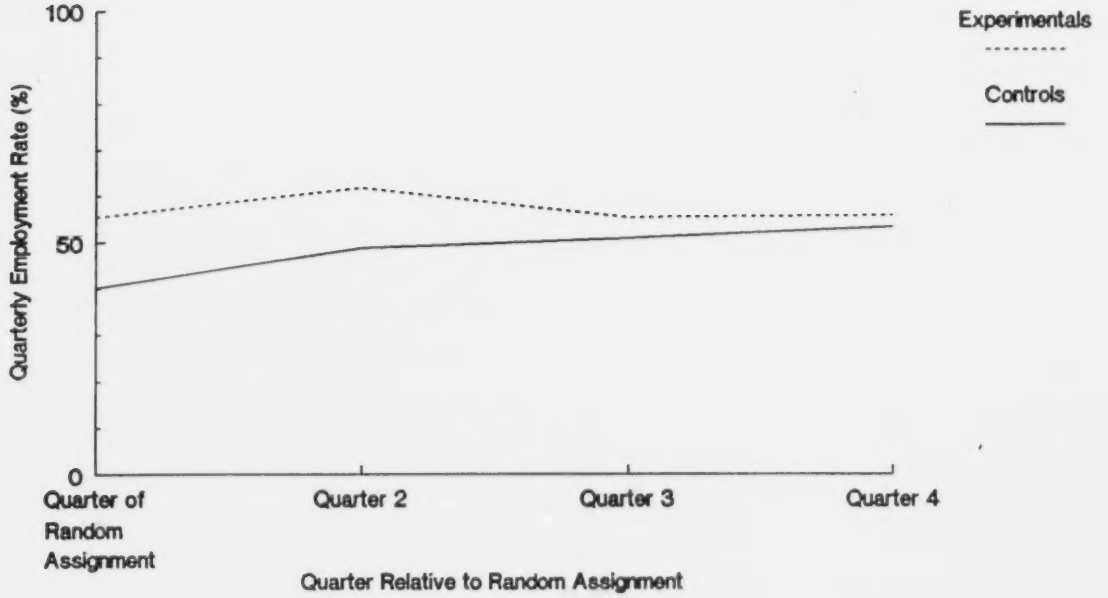
A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

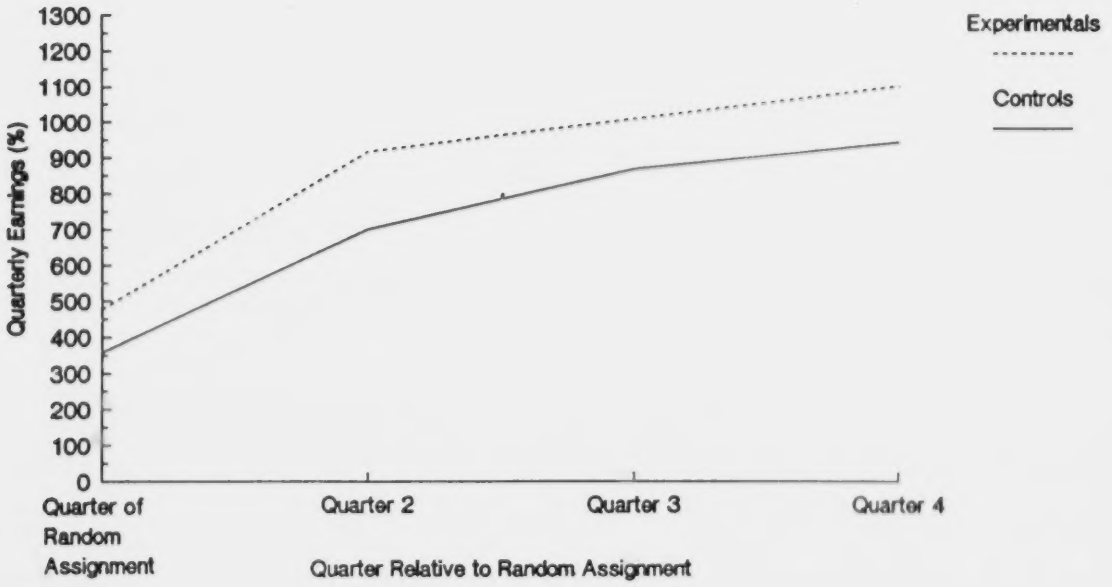
[a]These calculations include values of zero for sample members not employed.

FIGURE 4.1

NEW JERSEY

TRENDS IN EMPLOYMENT AND EARNINGS
(SHORT-TERM IMPACT SAMPLE)



more quarters than controls, as indicated in Table 4.2. Experimentals had employment in OJT or unsubsidized jobs during an average of 2.28 quarters; the statistically significant impact of 0.35 quarters was more than 18 percent of the control base of 1.93 quarters.

B. Short-term Impacts on Earnings

Table 4.2 and Figure 4.1 show that impacts on earnings were more stable than impacts on employment rates. Adjusted earnings impacts peaked at $218 in quarter two, and were then maintained at a lower level. In each of the first two quarters, the earnings impact was more than 30 percent of its control mean. Although the impact fell in quarter three, and recovered only slightly in quarter four, it was still 16 percent above its control mean in both those quarters. Earnings impacts were statistically significant during each of the first four quarters. Over the first year, experimentals earned $634 -- or 22.1 percent -- more than the control average of $2,866.

Thus far, results show clearly favorable effects on both employment and earnings outcomes, but reveal some differences in the time profiles of impacts. While employment-rate effects started out large and quickly declined, earnings impacts seemed to be sustained. This gives rise to two questions: First, does the timing of subsidized placements also explain the timing of employment and earnings impacts? Second, did the program move experimentals into their first post-assignment jobs more quickly than controls? The answers to both these questions seem to be yes.[8]

There are three fundamental sources for the $634 cumulative earnings impact: (1) a 7.4 percentage point advantage for experimentals in the proportion ever employed during the first year after random assignment;

(2) an advantage for employed experimentals in the number of quarters with employment; and (3) higher average earnings per quarter among employed experimentals.[9] All three sources are important, but Appendix Table D.6 shows that, over the first four quarters as a whole, the first source is much more important than the third. More than half of the cumulative earnings impact during the first year after random assignment was due to the impact on the proportion of those ever employed, while less than 10 percent was due to higher average earnings among those ever employed. More than a third of the earnings impact was due to the increase in number of quarters with employment. This empirical evidence clearly shows that the program moved experimentals into employment; that it apparently moved them into jobs more quickly; and that it moved them into jobs that paid more per quarter than they would have earned otherwise. More pay per quarter with employment could be the result of higher wages per hour, more hours of work per week, or more weeks of work per quarter.

C. Short-term Impacts on Welfare Dependency

Table 4.3 and Figure 4.2 show that virtually every sample member received AFDC at some point during the follow-up. Further, there was essentially no impact on receipt of AFDC during quarters one and two. However, the impact was favorable in quarter three, and by quarter four, 5.6 percentage points fewer experimentals received AFDC.

Table 4.3 shows that impacts on amounts of AFDC income were also favorable, but welfare savings peaked at $110 in quarter three. In the fourth quarter, welfare savings amounted to $82, 12.1 percent of the control mean of $675. For the four-quarter in-program period as a whole,

TABLE 4.3

NEW JERSEY

IMPACTS ON RATES OF AFDC RECEIPT AND AFDC PAYMENTS
(SHORT-TERM IMPACT SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Ever Received AFDC, Quarters 1-4 (%) | 97.6 | 97.2 | 0.4 | 0.613 |
| Average Number of Months Receiving AFDC, Quarters 1-4[a] | 8.51 | 9.13 | -0.63*** | 0.000 |
| Ever Received AFDC (%) | | | | |
| Quarter of Random Assignment | 96.6 | 95.2 | 1.4 | 0.146 |
| Quarter 2 | 89.7 | 92.0 | -2.2 | 0.117 |
| Quarter 3 | 73.3 | 78.4 | -5.1** | 0.013 |
| Quarter 4 | 62.1 | 67.8 | -5.6** | 0.015 |
| Quarter 5 | 54.7 | 60.7 | -5.9** | 0.012 |
| Average Total AFDC Payments, Quarters 1-4 ($)[a] | 3104.51 | 3369.28 | -264.77*** | 0.000 |
| Average AFDC Payments ($)[a] | | | | |
| Quarter of Random Assignment | 1007.43 | 996.50 | 10.93 | 0.482 |
| Quarter 2 | 838.75 | 923.00 | -84.25*** | 0.000 |
| Quarter 3 | 664.94 | 774.55 | -109.61*** | 0.000 |
| Quarter 4 | 593.39 | 675.23 | -81.84*** | 0.001 |
| Quarter 5 | 533.55 | 604.60 | -71.05*** | 0.007 |
| Sample Size | 814 | 790 | | |

SOURCE: MDRC calculations from New Jersey AFDC records.

NOTES: Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

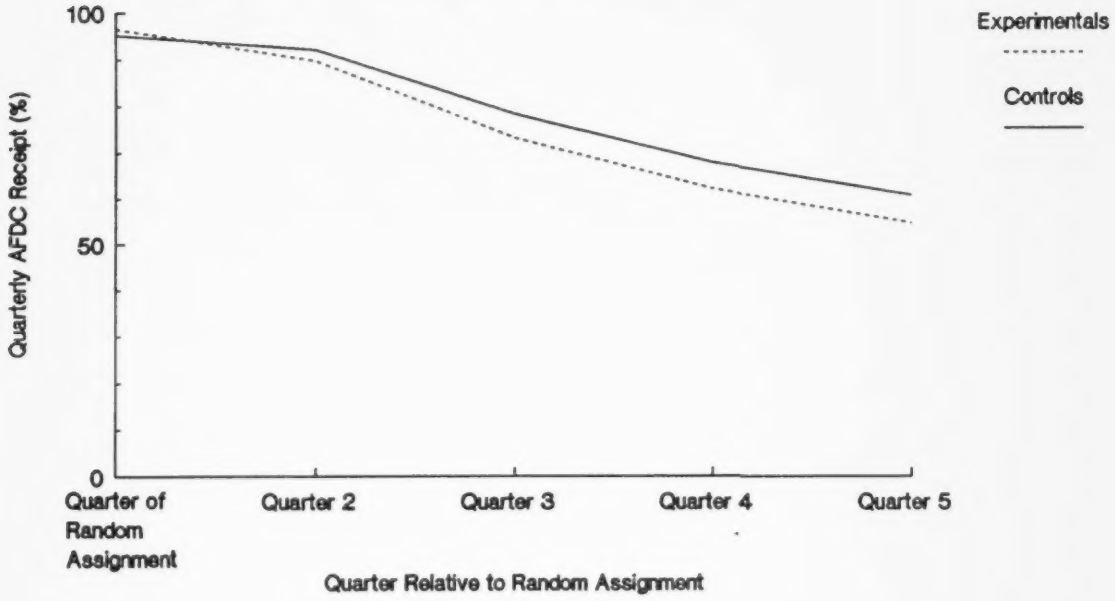
A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

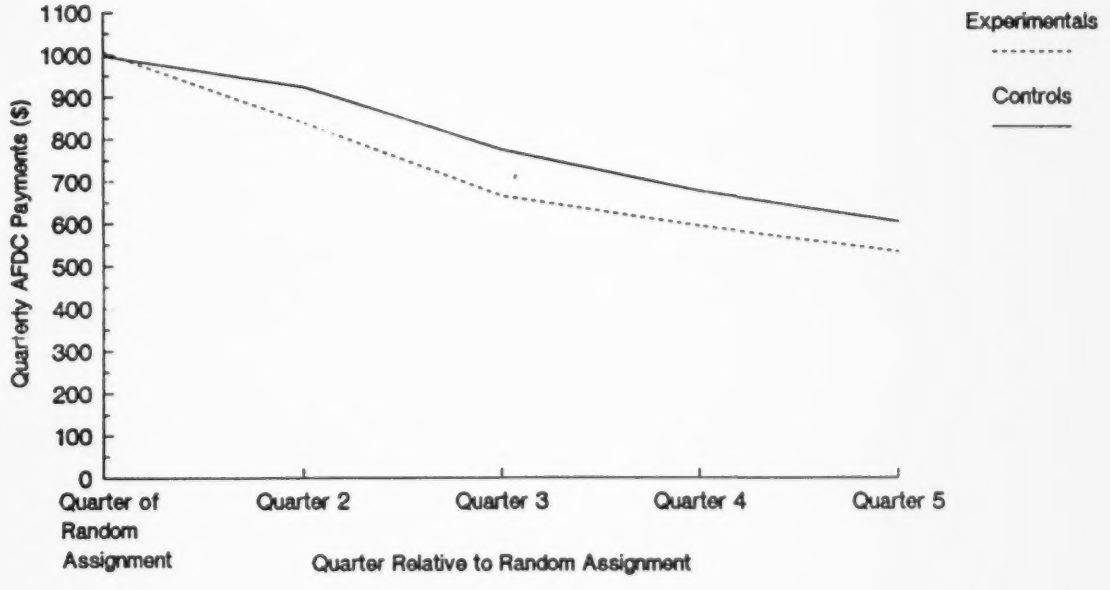
[a]These calculations include values of zero for sample members not receiving AFDC.

FIGURE 4.2

NEW JERSEY

TRENDS IN AFDC RECEIPT AND AFDC INCOME
(SHORT-TERM IMPACT SAMPLE)



welfare savings amounted to $265, 7.9 percent of the control mean of $3,369.

D. Short-term Impacts on Total Measured Income

The sum of AFDC income and earnings for a period is the best available measure of the total cash income available during that period. During the predominantly in-program period from quarter one through quarter four, Table 4.4 shows that the average control had $6,235 in such total measured income. After quarter one, control income stayed above $1,600 per quarter. Impacts on this outcome started out fairly large, reflecting the immediate earnings impacts and slower-starting welfare reductions already discussed. In both quarter one and quarter two, impacts on total measured income were above $130 and were statistically significant. When earnings impacts declined and welfare grants began to reflect increased earnings in quarter three, the two sources of income largely offset one another, yielding a quarter three impact on measured income of only $30, less than 2 percent of the control mean. However, these impacts appeared to improve in the fourth quarter. For the in-program period as a whole, experimentals came out moderately ahead. The impact on total measured income was $370, 5.9 percent of the control mean of $6,235.

III. Longer-term Impacts for the Early Sample

For the short-term impact sample of 1,604 just discussed, there is little or no follow-up beyond the in-program period ending in quarter four. However, a partially overlapping early sample of 994 has earnings follow-up for quarters three through seven, and AFDC follow-up for quarters one through eight. Table 4.5 shows that, as with the short-term impact sample,

TABLE 4.4

NEW JERSEY

IMPACTS ON TOTAL MEASURED INCOME
(SHORT-TERM IMPACT SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Average Total Measured Income, Quarters 1-4 | $6604.57 | $6235.06 | $369.51** | 0.046 |
| Average Total Measured Income | | | | |
| Quarter of Random Assignment | 1483.98 | 1353.93 | 130.05*** | 0.003 |
| Quarter 2 | 1755.48 | 1622.08 | 133.40** | 0.017 |
| Quarter 3 | 1672.83 | 1643.19 | 29.64 | 0.616 |
| Quarter 4 | 1692.28 | 1615.86 | 76.42 | 0.224 |
| Sample Size | 814 | 790 | | |

SOURCE: MDRC calculations from New Jersey AFDC and Unemployment Insurance earnings records.

NOTES: Total measured income is defined as the sum of AFDC income and earnings.

These calculations include values of zero for sample members with no measured income.

Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

TABLE 4.5

NEW JERSEY

DISTRIBUTION OF EXPERIMENTALS EMPLOYED IN OJT POSITIONS,
BY PERIOD WHEN LAST OJT JOB ENDED
(EARLY SAMPLE)

| Period when Last Employed in Subsidized OJT Position | Number | Percent | Cumulative Percent |
|---|---|---|---|
| Quarter of Random Assignment | 48 | 23.2 | 23.2 |
| Quarter 2 | 79 | 38.2 | 61.4 |
| Quarter 3 | 40 | 19.3 | 80.7 |
| Quarter 4 | 22 | 10.6 | 91.3 |
| Quarter 5 | 7 | 3.4 | 94.7 |
| Quarter 6 | 8 | 3.9 | 98.6 |
| Quarter 7 | 2 | 1.0 | 99.5 |
| Quarter 8 | 1 | 0.5 | 100.0 |
| Sample Size | 207 | 100.0 | |

SOURCE: MDRC calculations from New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: 207 of the 508 experimentals randomly assigned between October 1984 and September 1985 were employed in at least one OJT position.

Quarterly percentages may not sum to cumulative percentages due to rounding.

most of the early sample had completed any on-the-job-training contracts by the beginning of the fifth quarter. Thus, to measure predominantly post-program outcomes, the rest of this chapter concentrates on outcomes from quarter five onward for the early sample of 994.

Continued effects of subsidized on-the-job-training placement on employment and earnings may stem from "rollovers" into permanent jobs with the subsidized employer and from the effects of training on earnings. Some of the skills imparted by the subsidized employer may also be valuable to other potential employers, thus improving post-program employment prospects and raising post-program earnings.

A. Longer-term Labor Market Impacts

Table 4.6 and Figure 4.3 show a mixed picture for post-program employment-rate impacts. The early sample appears to have impacts in quarters three and four weaker than those present for the short-term impact sample. Separate impacts on employment rates are reported for quarters three through seven, and an additional impact is reported for the mostly post-program quarters five through seven taken together. The program caused a 3.2 percentage point increase in the proportion of experimentals employed at any time during quarters five through seven. Most of this cumulative impact appears due to the 5.3 percentage point impact in quarter five, which is the result of a temporary dip in employment among controls. The impact disappeared in quarters six and seven. Even without the program, the cumulative rate of employment during this period would have amounted to about two-thirds. According to the quarter-by-quarter figures, experimentals' and controls' rates of employment seem to drift upward slightly and to stabilize around 56 or 57 percent. During the predominantly post-

TABLE 4.6

NEW JERSEY

IMPACTS ON EMPLOYMENT RATES AND EARNINGS
(EARLY SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Ever Employed, Quarters 5-7 (%) | 70.1 | 66.9 | 3.2 | 0.285 |
| Average Number of Quarters with Employment, Quarters 5-7[a] | 1.69 | 1.66 | 0.03 | 0.686 |
| Ever Employed (%) | | | | |
| Quarter 3 | 55.0 | 51.5 | 3.5 | 0.269 |
| Quarter 4 | 54.8 | 55.2 | -0.4 | 0.896 |
| Quarter 5 | 56.9 | 51.6 | 5.3* | 0.095 |
| Quarter 6 | 56.4 | 56.7 | -0.2 | 0.939 |
| Quarter 7 | 56.1 | 57.8 | -1.7 | 0.584 |
| Average Total Earnings, Quarters 5-7 ($)[a] | 3627.43 | 3159.10 | 468.32* | 0.060 |
| Average Quarterly Earnings ($)[a] | | | | |
| Quarter 3 | 881.40 | 841.24 | 40.15 | 0.590 |
| Quarter 4 | 974.33 | 939.52 | 34.81 | 0.663 |
| Quarter 5 | 1155.09 | 981.25 | 173.83** | 0.048 |
| Quarter 6 | 1259.79 | 1087.82 | 171.97* | 0.061 |
| Quarter 7 | 1212.55 | 1090.03 | 122.52 | 0.177 |
| Sample Size | 508 | 486 | | |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

No earnings data were available for quarters 1 or 2 for those randomly assigned between October 1984 and December 1984 and no earnings data were available for quarter 1 for those randomly assigned between January 1985 and March 1985. Quarters 1 and 2 were therefore excluded.

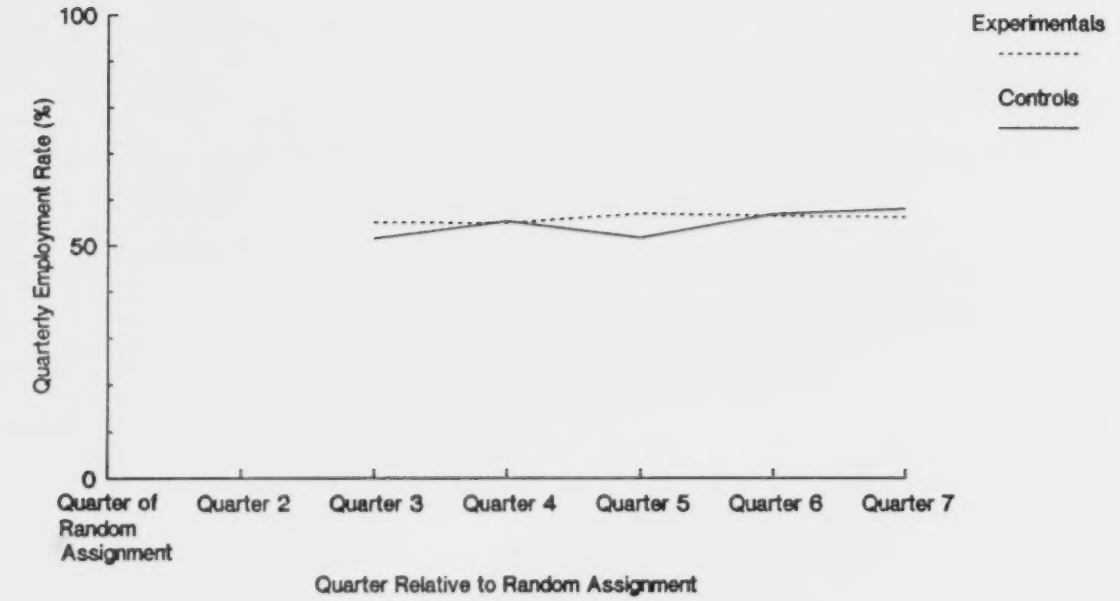
A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

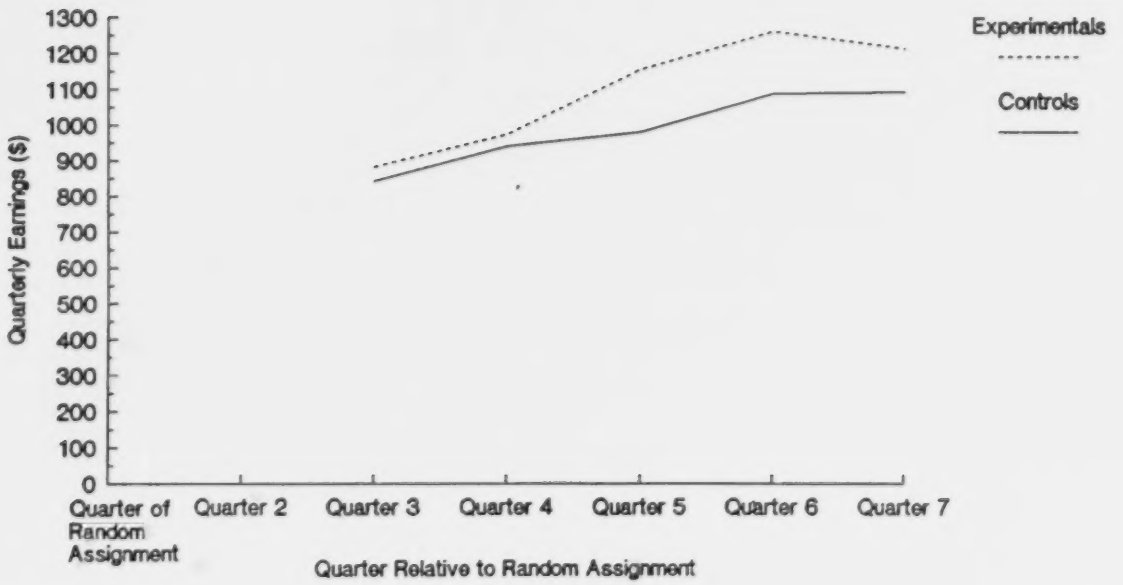
[a]These calculations include values of zero for sample members not employed.

FIGURE 4.3

NEW JERSEY

TRENDS IN EMPLOYMENT AND EARNINGS
(EARLY SAMPLE)



program period, experimentals were not employed significantly longer than controls. Table 4.6 shows an impact on number of quarters with employment of only 0.03, on a control base of 1.66 quarters, during quarters five through seven.

Table 4.6 and Figure 4.3 show that post-program impacts were more consistent for earnings than for employment. Earnings impacts for the early sample were $174 in quarter five, $172 in quarter six, and $123 in quarter seven. Over the three quarters taken together, earnings impacts amounted to $468, about 15 percent of the control base of $3,159.

As noted earlier, cumulative earnings impacts have three sources: (1) differences in cumulative rates ever employed; (2) differences in number of quarters with employment, if ever employed; and (3) differences in average earnings per quarter with employment, if ever employed. The proportion ever employed has already been discussed (see Table 4.6).

The third source is the different levels of earnings for those who were employed. If employed experimentals had higher wages or more hours or weeks of work than employed controls, average experimental earnings would be higher, even if there were no impacts on employment rates and numbers of quarters employed. Table 4.7 gives adjusted mean earnings among experimentals and controls who were employed in each period. As explained in Appendix D of Auspos et al., 1988, differences in these adjusted means are not the same as impacts because, to the extent that the program was effective, employed experimentals may differ in pre-assignment characteristics from employed controls. However, a pattern of increased earnings for employed experimentals over the follow-up period -- from negative $34 to positive $288 by quarter seven -- seems evident, though statistical

TABLE 4.7

NEW JERSEY

EMPLOYMENT AND EARNINGS OUTCOMES AMONG EMPLOYED SAMPLE MEMBERS
(EARLY SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Average Number of Quarters with Employment, if Ever Employed, Quarters 5-7 | 2.42 | 2.48 | -0.06 | 0.283 |
| Average Total Earnings, if Ever Employed, Quarters 5-7 ($) | 5180.90 | 4723.17 | 457.73 | 0.121 |
| Average Earnings, if Ever Employed ($) | | | | |
| Quarter 3 | 1600.04 | 1634.07 | -34.03 | 0.738 |
| Quarter 4 | 1775.41 | 1703.16 | 72.24 | 0.497 |
| Quarter 5 | 2022.85 | 1909.99 | 112.86 | 0.333 |
| Quarter 6 | 2227.43 | 1929.37 | 298.06*** | 0.010 |
| Quarter 7 | 2168.66 | 1880.87 | 287.78** | 0.013 |
| Sample Size | | | | |
| Quarters 5-7 | 353 | 328 | | |
| Quarter 3 | 278 | 252 | | |
| Quarter 4 | 276 | 271 | | |
| Quarter 5 | 286 | 254 | | |
| Quarter 6 | 283 | 279 | | |
| Quarter 7 | 282 | 284 | | |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: Sample members were excluded from calculations for periods during which they had no earnings.

Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

No earnings data were available for quarters 1 or 2 for those randomly assigned between October 1984 and December 1984 and no earnings data were available for quarter 1 for those randomly assigned between January 1985 and March 1985. Quarters 1 and 2 were therefore excluded.

A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

significance was achieved only after quarter five.

This empirical evidence is consistent with the hypothesis that the wage subsidy tended to move participants into jobs offering more hours of work or higher pay than they would have gotten otherwise. Table D.7 shows that the cumulative post-program earnings impact was due overwhelmingly to higher earnings for employed experimentals than for employed controls. Among those ever employed, controls actually had more quarters of employment than experimentals. However, the cumulative employment-rate impact just about offset this negative effect on earnings of number of employed quarters, among those who were employed.

On the whole, the pattern of labor market results supports the theory that on-the-job-training placement was responsible for sustained positive earnings impacts and for positive employment-rate impacts immediately after random assignment, though employment rates for controls soon caught up with employment rates for experimentals. It can be argued that the subsidy or the placement assistance provided by the program moved its participants ahead in the queue for jobs that offered more hours of work or higher pay, and that once they obtained such jobs, they tended to keep them or found other jobs fairly quickly.

B. Longer-term Impacts on Welfare Dependency

Table 4.8 and Figure 4.4 show a cumulative impact on welfare receipt of 2.3 percentage points during quarters five through eight, which is smaller than the average impact during individual quarters. Starting at 4.9 percentage points in quarter five, the impact on the welfare rolls seems to peak at 6.4 points in quarter six and then to decline to 3.8 points in quarter seven and to 1.9 points in quarter eight. The indi-

TABLE 4.8

NEW JERSEY

IMPACTS ON RATES OF AFDC RECEIPT AND AFDC PAYMENTS
(EARLY SAMPLE)

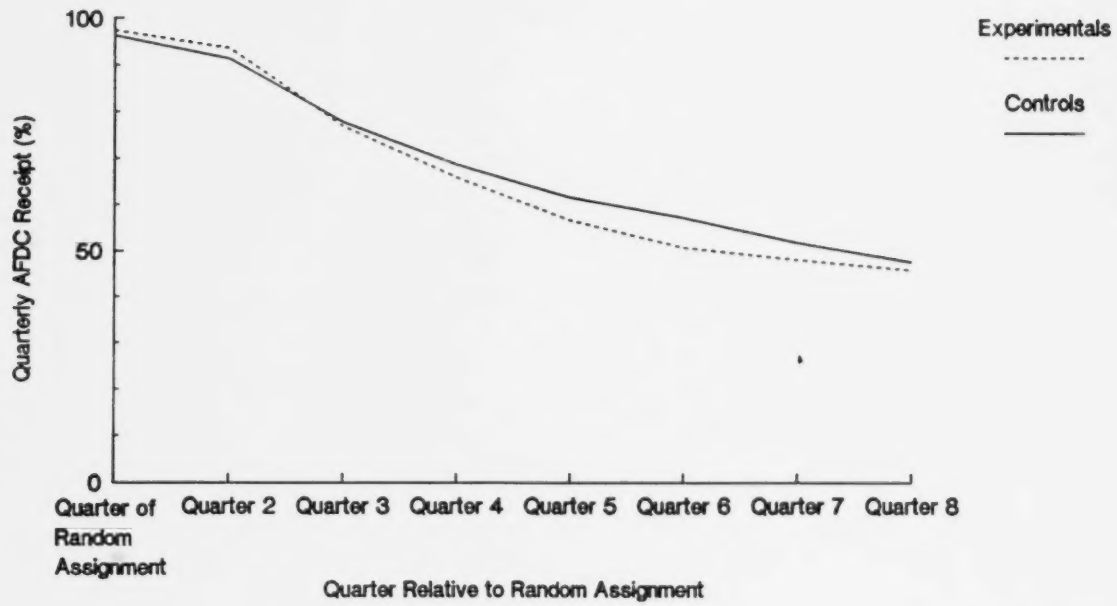
| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Ever Received AFDC (%) | | | | |
| Quarters 1-8 | 98.0 | 97.7 | 0.3 | 0.736 |
| Quarters 5-8 | 60.7 | 62.9 | -2.3 | 0.448 |
| Average Number of Months Receiving AFDC[a] | | | | |
| Quarters 1-8 | 14.24 | 15.06 | -0.81* | 0.098 |
| Quarters 5-8 | 5.41 | 5.90 | -0.49 | 0.132 |
| Ever Received AFDC (%) | | | | |
| Quarter of Random Assignment | 97.4 | 96.3 | 1.1 | 0.298 |
| Quarter 2 | 93.6 | 91.4 | 2.2 | 0.176 |
| Quarter 3 | 76.8 | 77.7 | -0.9 | 0.739 |
| Quarter 4 | 65.8 | 68.6 | -2.8 | 0.339 |
| Quarter 5 | 56.5 | 61.5 | -4.9 | 0.106 |
| Quarter 6 | 50.6 | 57.0 | -6.4** | 0.037 |
| Quarter 7 | 47.9 | 51.7 | -3.8 | 0.219 |
| Quarter 8 | 45.7 | 47.5 | -1.9 | 0.536 |
| Average Total AFDC Payments ($)[a] | | | | |
| Quarters 1-8 | 5133.51 | 5560.99 | -427.48** | 0.021 |
| Quarters 5-8 | 1945.94 | 2183.57 | -237.63* | 0.052 |
| Average AFDC Payments ($)[a] | | | | |
| Quarter of Random Assignment | 998.55 | 994.41 | 4.13 | 0.793 |
| Quarter 2 | 883.25 | 930.69 | -47.43** | 0.041 |
| Quarter 3 | 691.24 | 773.17 | -81.92*** | 0.007 |
| Quarter 4 | 614.52 | 679.15 | -64.63** | 0.048 |
| Quarter 5 | 543.19 | 616.80 | -73.61** | 0.028 |
| Quarter 6 | 493.73 | 576.85 | -83.12** | 0.013 |
| Quarter 7 | 470.46 | 513.54 | -43.08 | 0.200 |
| Quarter 8 | 438.56 | 476.33 | -37.82 | 0.248 |
| Sample Size | 508 | 486 | | |

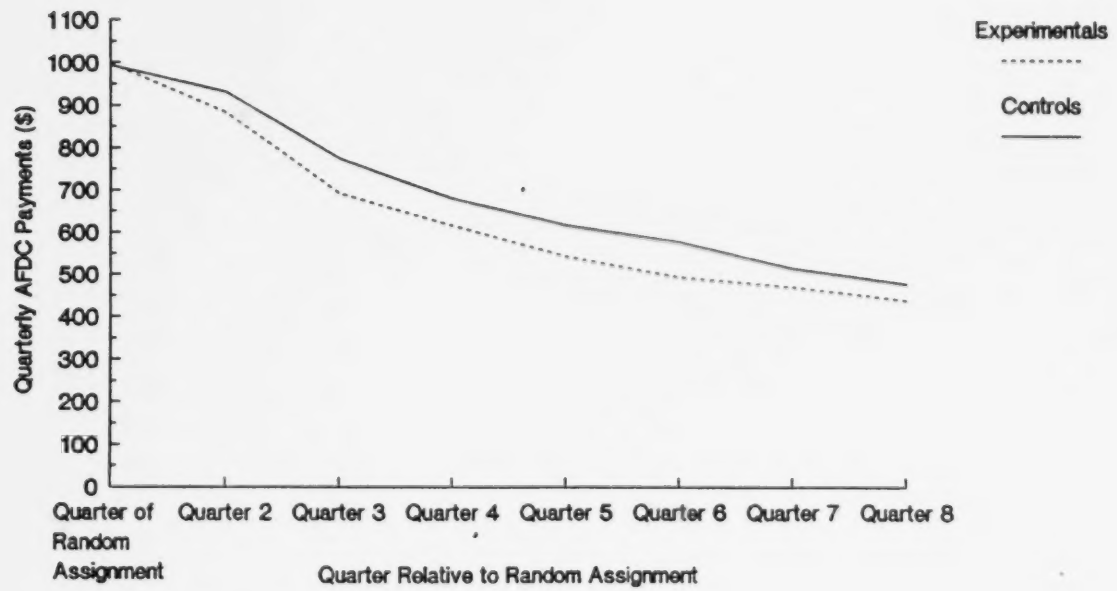
SOURCE AND NOTES: See Table 4.3.

FIGURE 4.4

NEW JERSEY

TRENDS IN AFDC RECEIPT AND AFDC INCOME
(EARLY SAMPLE)



vidual quarter impacts seem to be mainly a matter of differential timing for about the same number of departures from the rolls for experimentals as for controls. This interpretation is buttressed by the statistically significant impact on number of months receiving AFDC, half a month on a control base of 5.9 months during quarters five through eight. Apparently, the program speeded departure from the rolls for many who would have left the rolls anyway.

Table 4.8 and Figure 4.4 show that impacts on amounts of AFDC income were also favorable. For the four-quarter post-program period as a whole, welfare savings amounted to $238, 10.9 percent of the control mean of $2,184.

C. Longer-term Impacts on Total Measured Income

During the mostly post-program period from quarter five through quarter seven, Table 4.9 shows that the average control had $4,866 in earnings plus AFDC income. Like control income for the short-term impact sample, measured income for the early sample of controls stayed near $1,600 per quarter. Impacts of the program on this outcome were just above $100 during quarter five, but dipped below $80 in quarter seven. For the post-program period as a whole, however, experimentals still came out ahead. The impact on total measured income was $269, 5.5 percent of the control mean of $4,866.

## IV. Generalizability of the Findings

As already noted, because of data limitations, the same sample was not used throughout this chapter. The short-term impact sample of 1,604 people amounted to about 83 percent of the full sample of 1,943, and the early

TABLE 4.9

NEW JERSEY

IMPACTS ON TOTAL MEASURED INCOME
(EARLY SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Average Total Measured Income, Quarters 5-7 | $5134.81 | $4866.29 | $268.51 | 0.209 |
| Average Total Measured Income | | | | |
| Quarter 3 | 1572.64 | 1614.41 | -41.77 | 0.519 |
| Quarter 4 | 1588.86 | 1618.68 | -29.82 | 0.667 |
| Quarter 5 | 1698.27 | 1598.06 | 100.22 | 0.196 |
| Quarter 6 | 1753.52 | 1664.67 | 88.86 | 0.272 |
| Quarter 7 | 1683.01 | 1603.57 | 79.44 | 0.329 |
| Sample Size | 508 | 486 | | |

SOURCE: MDRC calculations from New Jersey AFDC and Unemployment Insurance earnings records.

NOTES: Total measured income is defined as the sum of AFDC income and earnings.

These calculations include values of zero for sample members with no measured income.

Experimental and control group averages are regression- adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

No earnings data were available for quarters 1 or 2 for those randomly assigned between October 1984 and December 1984 and no earnings data were available for quarter 1 for those randomly assigned between January 1985 and March 1985. Quarters 1 and 2 were therefore excluded.

A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

sample of 994 for whom longer-term follow-up was available amounted to just over half of the full sample. Unfortunately, it is impossible to say exactly what short-term and longer-term impacts would have been had all data been available for the full sample. One apparent source of differences in impacts for different samples is county differences in on-the-job-training placement rates. For example, compared with the early sample, the short-term impact sample includes proportionately more people from Hudson and Mercer counties, which achieved higher-than-average rates of placement of experimentals in on-the-job-training positions. More subtle differences between samples may also be reflected in differential impacts.

However, the overlap in the outcomes reported for the early sample and the outcomes reported for the short-term impact sample has some value for analyzing the generalizability of the results to the full sample. In general, the early sample seems to have had impacts similar to, but smaller than, those for the short-term impact sample.[10] For example, Table 4.6 shows weaker impacts at the end of the in-program period for the early sample than for the larger group whose employment-rate impacts were given in Table 4.2. Therefore, the longer-term impacts reported above are probably a conservative estimate of the program's longer-term effect for the entire sample.

CHAPTER V

# BENEFIT-COST ANALYSIS

## I. Introduction and Summary of Findings

This chapter weighs the economic benefits and costs of the two program streams evaluated in this report: eligibility for OJT employment as well as regular WIN and JTPA services versus eligibility for WIN and JTPA services alone. The analysis draws on the findings of previous chapters and also utilizes data gathered specifically for estimating benefits and costs. Applying techniques developed in other evaluations of social programs,[1] the benefit-cost analysis assesses New Jersey's OJT program from several distinct viewpoints, notably those of the government budget and of the welfare recipients accepted into the program and randomly assigned to the experimental group. The analysis also considers the effects of the program on society in general and on taxpayers. (As explained later, the effect on taxpayers is similar but not identical to that on the government budget.)[2] Thus, within the constraints of the available data, the analysis estimates both the overall cost-effectiveness of the program and the gains and losses to the groups it most directly affected.

This analysis estimates benefits and costs over a five-year period; although most costs were incurred when enrollees were still in the program, benefits may accrue over a longer time as people formerly dependent on welfare continue to work and pay taxes. Therefore, the analysis estimates program effects after the data collection period, using alternative assump-

tions about how effects calculated with available data might change. In this chapter the data collection period is referred to as the observation period; the period between the end of data collection and the end of the fifth year after random assignment is referred to as the projection period. (Section III.D of this chapter explains the procedure for projecting effects beyond the observation period.)

As in previous chapters, the analysis focuses on the effects of the New Jersey OJT Program on members of the early sample. Benefit-cost estimates for the later sample, which are more uncertain because only short-term earnings and welfare data were available, are included at the end of the chapter and in Appendix E and provide context for the early sample estimates.

The principal findings of this analysis are as follows:

- The average cost of running the OJT component was about $850 per experimental in the early sample, including wage subsidies and administrative costs. Net costs of additional WIN and JTPA services were close to zero.

Job development, matching enrollees to available OJT jobs, record-keeping, and other administrative tasks amounted to nearly 60 percent of the funds spent by the OJT program. Payments to OJT employers out of the county wage subsidy pools accounted for the rest. The higher cost of OJT program administration reflects the fact that money was spent trying to place each experimental in an OJT job, even though only 41 percent of early sample experimentals were actually placed. Further, about 45 percent of OJT employees left their jobs before the end of their trial employment, which limited the money that employers received. As discussed in Chapter III, experimentals and controls participated in other WIN and JTPA acti-

vities at about the same rate. Therefore, the costs of these components were nearly equal.

- Over the five-year period (including both observed and projected estimates), the experimental group, taxpayers, and the government budget become better off financially as a result of the program. Even within the observation period, experimentals benefited from the program, while the budget nearly broke even.

As discussed in Chapter IV, experimentals in the early sample earned, on average, $468 more than controls during quarters five through seven. When all observed data are included, the experimental-control difference rises to $892. This earnings gain (plus an additional $108 in fringe benefits) exceeded experimentals' net losses from higher taxes and lower average welfare and Food Stamp payments, resulting in a net gain of $309. Experimentals' higher taxes and savings in transfer payments represent a gain to government budgets, which, during the observation period, allowed the program to recoup all but $86 of the net cost of providing OJT employment and other services to experimentals. As experimentals continue to work and pay taxes, they should continue to benefit from their enrollment in the New Jersey OJT program. Government budgets should also, in time, receive a net gain from operating the program. However, the magnitude of these net gains is uncertain. Using alternative reasonable assumptions about the projected future effects of the program, net benefits to experimentals over the full five-year period are likely to be between $971 and $1,554. Similarly, the analysis estimates that the program will break even within two and a half years of random assignment and receive a net gain over five years of between $601 and $1,284.

## II. The Analytic Approach

In determining the benefits and costs of New Jersey's OJT program, the analysis estimates the value of the program's effects on key outcomes, and the cost of producing those effects. The main outcome variables for which MDRC collected data include the earnings and AFDC payments discussed in the impact analysis in Chapter IV. The benefit-cost analysis also considers a variety of outcomes not directly measured, but for which values could be imputed: the fringe benefits of regular jobs; tax payments; Medicaid; Food Stamps; transfer program administrative costs; and the value of output produced by members of the research sample employed in OJT, unsubsidized, and unpaid WIN work experience jobs. The analysis weighs experimental-control differences in these outcomes against costs that include: OJT wage subsidies and administrative costs; the expense of operating the regular WIN program for members of the research sample; expenditures for support services such as childcare and transportation received by experimentals and controls who participated in regular WIN activities; and the costs incurred by JTPA agencies for providing education and training services for sample members.

The principal object of this analysis is to determine the average benefits and costs of New Jersey's OJT program for each member of the experimental group above and beyond what would have happened if she had not been eligible for placement in an OJT position. As with the analysis of program impacts in Chapter IV, costs and benefits are averaged over all experimentals: those who were employed in OJT positions and those who were not.[3]

The observation period varies by data source and date of random assign-

ment for each sample member. (See Table 2.5 for further details.) For the early sample, the observation period for earnings data ranges from nine quarters for the earliest enrollees to six quarters for the last enrollees randomly assigned (not counting the quarter of random assignment); by contrast, the later sample has between three and five quarters of earnings data, depending on the period of random assignment. The observation period for AFDC payments data ranges from 24 to 35 months for the early sample and from 15 to 23 months for the later sample. Benefits and costs accruing after the end of the observation period up to a point five years from the date of random assignment have been estimated for each sample member on the basis of observed data and a series of assumptions. All benefits and costs have been valued in 1986 dollars and discounted (for forgone investment) to the end of the first year of follow-up.

In considering the estimated benefits and costs of the New Jersey OJT Program, it is important to remember the assumptions governing the analysis as well as the limitations of the estimation procedures. The analysis assumes no displacement of other workers, even though some OJT employers may have used the OJT program to fill job openings that they had been planning to fill anyway. The five-year benefit projections also assume that regulations governing the calculation of taxes and transfer payments during the random assignment and follow-up periods remained in effect throughout the projection period. (The analysis does take into account changes in federal income tax regulations). However, passage of new federal welfare legislation, increases in the minimum wage, further changes in the tax system, or other new legislation could alter sample members'

labor market behavior and welfare experiences, and thus future benefits and costs.

While available data permit estimation of a wide array of benefits and costs, some potentially useful information was not included in this study, such as UI benefits, General Assistance payments, and the earnings or other income of family members of individuals in the research sample. In addition, potential intangible effects of the New Jersey OJT Program, such as changes in participants' self-esteem or in the quality of their family life, could not be determined.

Finally, the demonstration itself probably affected program costs and benefits -- although the extent of these effects is difficult to estimate. For instance, job developers had to work with fewer enrollees than they otherwise would have because half of the sample was randomly assigned to the control group. The demonstration may also have increased the overall use of WIN and JTPA services by sample members, since some job developers seem to have made a special effort to enroll controls or experimentals who weren't placed in OJT positions in alternative employment and training activities.[4] Interpretations of the benefit-cost analysis presented below should recognize the scope of the analysis.

## III. Economic Value of Program Effects

### A. Earnings and Output

As seen in Chapter IV, experimentals earned on average $468 more than controls during the fifth through seventh quarters following random assignment. The estimates in Table 5.1 include these earnings gains but extend the period for estimating program effects to include those that

TABLE 5.1

NEW JERSEY

ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN EARNINGS, FRINGE BENEFITS, AND TAXES PER EXPERIMENTAL FOR THE OBSERVATION PERIOD[a] (EARLY SAMPLE)

| Component of Analysis | Estimate |
|---|---|
| Earnings | |
| OJT Employment | $695 |
| Unsubsidized Employment | 197 |
| Total | 892 |
| Fringe Benefits | |
| OJT Employment | 84 |
| Unsubsidized Employment | 24 |
| Total | 108 |
| Taxes | |
| Payroll Taxes | 76 |
| Federal Income Tax | 62 |
| State Income Tax | 8 |
| State Sales and Excise Taxes | 9 |
| Total | 156 |
| Sample Size | 508 |

SOURCE: MDRC calculations from Unemployment Insurance earnings records and from published data on OJT wage subsidies, tax rates and employee benefits.

NOTES: Differences are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Because of rounding, detail may not sum to totals.

[a]The end of the observation period was March 1987 for Unemployment Insurance earnings and OJT wage subsidies.

occurred from the second quarter following random assignment through the end of available follow-up. Consequently, these estimates differ from the earnings impacts for the early sample presented in Chapter IV, which instead cover the follow-up shared by all sample members.[5]

Table 5.1 shows the earnings differences during the observation period and subdivides earnings gains into those associated with employment in both subsidized OJT jobs (based on OJT employment records and published data on wage subsidies) and unsubsidized jobs. Subtracting average OJT earnings from the total earnings impact produces these two estimates.[6] Experimentals in the early sample show an increase in earnings of $892 over the control group average. Nearly 80 percent of the earnings gain was associated with OJT employment.

The table also presents an estimate of net gains in the value of fringe benefits of $108, of which $84 was associated with OJT employment. These estimates assume a benefit rate -- based on national employment data -- of 12 percent of earnings for both OJT and unsubsidized employment.[7] (Payroll taxes are considered separately below.)

Under standard economic assumptions, the wages and fringe benefits that workers receive reflect the value of their output to employers and (barring displacement or other negative effects on others) to society. Whether this applies to OJT employees, who require a subsidy to induce employers to hire them and who may not be as productive as other new employees, is uncertain. However, previous MDRC research on the relative productivity of welfare recipients in OJT positions and work experience jobs suggests that OJT employees were about as productive as regular unsubsidized workers.[8] Thus, experimentals' gains in earnings and fringe

benefits also represent increased output in the New Jersey economy as a result of the OJT program.

Normally, the gains from increased output go to employers but are offset by the cost of wages, fringe benefits, and payroll taxes. Therefore, employers break even. However, OJT employers do better because they receive the benefit of OJT employees' output and are reimbursed for half these employees' wages during their trial employment. For the early sample, the net gain to OJT employers is $348.

As discussed in Chapter III, some experimentals and controls were employed in unpaid work experience jobs. This also benefits society because employers (in this instance government agencies or not-for-profit organizations) receive the full value of these employees' output and do not have to compensate them for their work.[9] Therefore, the benefit-cost analysis includes the value of these services.

As shown in Chapter III, eligibility for OJT employment resulted in a small decrease in experimentals' participation in work experience compared to controls. MDRC estimated the resulting net loss of value of output to be $9.[10]

B. Tax Payments

Earnings gains for early-sample experimentals during the observation period increased yields in federal and state income taxes, Social Security and UI Compensation payroll taxes, and state sales and excise taxes. These gains to the government budget and to taxpayers offset some of the cost of running the OJT program. Using the relevant tax rates, this evaluation imputed these taxes from earnings (total earnings in the case of payroll taxes and earnings over a base amount for income taxes) and combined income

from earnings and AFDC payments (for sales taxes). The estimate of federal taxes in Table 5.1 is based on tax rates for 1986 and includes a deduction for the Earned Income Tax Credit.[11]

The results in Table 5.1 show that the estimated total taxes paid by experimentals during the observation period exceeded average tax payments for controls by $156 -- nearly half of which was the result of increased Social Security and UI Compensation taxes.

C. Reduced Dependence on Transfer Programs

As shown in Chapter IV, experimentals received less AFDC income as a result of their eligibility for OJT jobs. However, a portion of these savings was diverted to the county wage subsidy pools to finance additional OJT employment. To a lesser extent, the program also affected experimentals' use of Medicaid and Food Stamps, although not always in the same way.

As with the estimate of earnings gains, the experimental-control difference in the direct receipt of AFDC income was estimated from AFDC records from the second quarter after random assignment to the end of available follow-up. Table 5.2 displays the experimental-control difference in receipt of AFDC income during this period and the average value of diverted AFDC grants. MDRC estimated the value of diverted grants from AFDC payment and OJT employment records. The value of the diverted grant was the difference between maximum allowable payments and payments received during months in which grant diversion calculations would normally be performed.[12] On average, experimentals received $485 less in welfare payments than controls. About 72 percent of these savings, or $351 per experimental ($862 per OJT employee), was diverted to finance OJT employment, leaving a $134 net AFDC savings to the government during the observation period.

TABLE 5.2

NEW JERSEY

ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN TRANSFER PAYMENTS AND ADMINISTRATIVE COSTS PER EXPERIMENTAL FOR THE OBSERVATION PERIOD[a] (EARLY SAMPLE)

| Type of Payment or Cost | Estimate |
|---|---|
| Transfer Payments | |
| AFDC | |
| Regular Payments | $-485 |
| Diverted Payments | 351 |
| Medicaid | 9 |
| Food Stamps | -51 |
| Total | -176 |
| | |
| Administrative Costs | |
| AFDC | -14 |
| Medicaid | 1 |
| Food Stamps | -14 |
| Total | -27 |
| Sample Size | 508 |

SOURCE: MDRC calculations from AFDC payments records, New Jersey WIN Grant Diversion On Board Summary Reports, Unemployment Insurance earnings records and published data on Medicaid, Food Stamps and AFDC payments and administrative expenditures.

NOTES: Differences are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Because of rounding, detail may not sum to totals.

[a]The end of the observation period was August 1987 for AFDC records and March 1987 for Unemployment Insurance earnings records.

Differences in Medicaid use were imputed from observed differences in AFDC receipt and the rules covering Medicaid eligibility. A person on AFDC is automatically entitled to receive Medicaid and remains eligible for up to nine months after leaving the rolls, depending on her subsequent employment and earnings. Under a special waiver, OJT employees were eligible for Medicaid throughout their contract period, even if their OJT earnings were high enough to disqualify them for AFDC. Once the contract period ended, however, OJT employees were subject to the normal Medicaid eligibility regulations governing AFDC recipients and could receive up to nine additional months of Medicaid eligibility. The special rules for OJT employment provided a valuable short-term benefit for OJT employees that was intended to ease their transition from welfare and publicly financed health insurance to private sector employment and privately financed health insurance. For the state budget, this special waiver represented a short-term investment in anticipation of long-term savings in Medicaid payments, once the burden of providing health care insurance was shifted to employers or to the former recipients themselves.

The average change in the value of Medicaid was determined in four steps. First, using aggregate AFDC and Medicaid data, MDRC estimated the average value of Medicaid used by AFDC recipients (the actual recipient of the grant and her dependents) during a single month to be nearly $74 in 1986 dollars. This per-recipient cost was then multiplied by the number of recipients on the sample member's AFDC case to produce a monthly average for Medicaid received by the household as a result of the sample member's Medicaid eligibility.[13] Third, the analysis estimated the total value of Medicaid received during the observation period by multiplying the average

monthly Medicaid payment by the number of months in which the sample member was eligible for Medicaid. Finally, a regression-adjusted, experimental-control difference in total Medicaid payments was estimated.

Table 5.2 presents the results. During the observation period, experimentals received $9 more in Medicaid payments than controls. This slight increase in Medicaid payments probably results from the combined effects of the eligibility of OJT employees for the length of their contract period and the relatively rapid exit from AFDC by controls. During the first year following random assignment, experimentals averaged $43 more in Medicaid than controls. However, for the rest of the follow-up period, experimentals received $34 less in Medicaid payments, indicating a trend toward small savings in Medicaid payments once both groups were working at unsubsidized jobs.

Differences in Food Stamps were imputed from total income from earnings and AFDC payments. Estimates included the earnings disregard as well as childcare and medical deductions -- all of which are used to determine eligibility for Food Stamps and the amount of permitted benefits.[14] No special rules govern receipt of Food Stamps during OJT employment; therefore, earnings gains associated with OJT employment should decrease Food Stamp use by OJT employees and, hence, by the experimental group as a whole.

Table 5.2 displays experimental-control differences in the value of Food Stamps received during the observation period. Experimentals show a $51 decrease over the control average. Two-thirds of the decrease occurred after the first year of follow-up.

New Jersey's OJT program produced a $176 net savings in transfer

payments, as decreases in AFDC income and Food Stamps exceeded the cost of grant diversion and increased Medicaid payments. These savings were accompanied by an additional $27 decrease in the cost of transfer program administration.[15]

D. Future Effects and Total Results

The effects discussed thus far pertain only to the observation period. Yet, program effects will almost certainly last longer. The analysis thus projects outcomes for each sample member, so that the combination of observed and extrapolated values covers five years from the point of random assignment.[16] Because the amount of observed data on sample members varies according to when they entered the research sample, the length of the projection period required to estimate results over five years also varies. For the early sample, the projection period for earnings-based benefit estimates (these include taxes, Medicaid, and Food Stamps, as well as earnings and fringe benefits) ranges from 2.5 years for sample members randomly assigned between October and December 1984 to 3.25 years for sample members randomly assigned between July and September 1985. An additional five months of follow-up for AFDC payments shortens the projection period for estimates of future AFDC payments and AFDC administration expenditure, correspondingly.

Projection of program effects requires choosing a base period from which the projection is made, making assumptions about the rate at which experimental-control differences change over time, and selecting an appropriate discount rate. As in previous MDRC reports, this analysis uses the average of the last two quarters of earnings data (October 1986 to March 1987) and a quarterly average based on the last six months of

available AFDC payments data (March to August 1987) as the base periods for projecting future benefits.

The decay rate is the rate at which the base period estimate is assumed to change over time. This study's relatively short follow-up makes it difficult to predict long-term trends from available data. Two decay rates have therefore been used to compute a range of estimates. The first assumes that the magnitude of the experimental-control difference observed during the base period will continue unchanged during the projection period. In other words, the decay rate for projected benefits will be zero percent. This assumption, which is relatively optimistic and serves as the upper bound for the five-year estimates, is reasonable because earnings impacts were sustained in Maine's OJT program (TOPS) over a three-year observation period and in New Jersey during a shorter observation period. Moreover, program effects could actually increase over time, as was demonstrated in the analyses of longer-term earnings impacts of two previous work/welfare initiatives, Supported Work and the Baltimore Options Program.[17]

The second decay rate assumes a straight-line decrease in program benefits from the value displayed during the base period to zero during the final quarter of the projection period. To illustrate: If earnings gains averaged $100 during the base period and 2.5 years (or ten quarters) comprise the projection period, the impact will drop to $90 during the first quarter of the projection period, $80 during the second, $70 during the third; and so on, to zero during the tenth and final quarter. In this example, the cumulative impact over the projection period is the sum of these quarterly impacts or $450. In effect, the annual decay rate acceler-

ates from 40 percent during the first year, to 67 percent during the second year, to infinity beyond the third year. This lower bound estimate is arbitrary and was chosen to provide a relatively large range within which the actual value of program effects will probably fall.

Again, it is conceivable (but unlikely given observed trends in earnings and AFDC receipt) that program effects will fall below the lower estimate. One example of using an extremely pessimistic assumption to estimate future effects is to claim that program effects fall to zero immediately after the end of the observation period and remain there throughout the projection period. The decay rate in this instance is infinite. When program impacts are shown to be positive (or even close to zero) under this more extreme and unlikely negative assumption, one can confidently conclude that the program is cost-effective. Estimates of program effects based on this assumption are discussed below and in Section V of this chapter.

The effect of inflation on the value of future program effects was avoided by expressing base period estimates and projected amounts in 1986 dollars. Further, all extrapolated results were discounted to adjust for the value of forgone investment. (A benefit received later in the follow-up period is worth less than the same benefit received earlier due to the lost opportunity to invest.) A real discount rate -- that is, a rate adjusted for inflation -- of 5 percent per year was used in this analysis.[18]

Table 5.3 presents the observed, projected, and total estimates of program effects during the five-year time period. In each table the column headed Common Follow-up shows the effects estimated for the portion of the follow-up period available for all sample members. To compare the early and later samples, the common period comprises the maximum follow-up

TABLE 5.3

NEW JERSEY

ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (EARLY SAMPLE)

| Benefit Variable | Observation Period[a] | | Projection Period | | Five Year Total |
|---|---|---|---|---|---|
| | Common Follow-up | Additional Follow-up | Projection Base[b] | Projected Amount[c] | (Observed Plus Projected) |
| Earnings and Fringe Benefits | | | | | |
| OJT Employment | $712 | $68 | $0 | $0 | $779 |
| Unsubsidized Employment | -411 | 632 | 222 | 1211 to 2350 | 1432 to 2571 |
| Payroll Taxes | 23 | 53 | 17 | 92 to 179 | 169 to 256 |
| Income and Sales Taxes | -6 | 86 | 27 | 146 to 303 | 226 to 383 |
| AFDC Payments | | | | | |
| Regular | -274 | -211 | -36 | -167 to -315 | -652 to -801 |
| Diverted | 321 | 31 | 0 | 0 | 351 |
| Other Transfer Payments | 26 | -68 | -29 | -159 to -337 | -201 to -379 |
| Transfer Program Administration | 13 | -40 | -9 | -45 to -86 | -72 to -113 |

SOURCE: See Tables 5.1 and 5.2.

NOTES: Because of rounding, detail may not sum to totals.

[a]Based on available follow-up data.

[b]The projection base period is a quarterly average of the last two quarters of available follow-up. Program effects observed during this base period are multiplied by a projection factor to estimate benefits from the end of the observation period to five years from the point of random assignment.

[c]The first number of each range assumes a straight line decay of impacts to $0 by the end of the five-year period; the second number assumes that the most recent program effects continue for each remaining quarter of the five-year period.

available to individuals who entered the sample during April to June 1986: quarters two through four for earnings, and two through five for AFDC payments. The column headed Additional Follow-Up provides estimates of program effects during the remainder of the observation period. Summing the values in these two columns yields the observed program effects presented in Tables 5.1 and 5.2.

Dividing the observation period in this way reveals a dramatic difference in the effect of New Jersey's OJT program on the 41 percent of experimentals who found employment in OJT positions and the remaining 59 percent who did not. During the first year after random assignment (the Common Period), experimentals averaged $301 more in earnings and fringe benefits than controls. However, the effect of New Jersey's OJT program is actually composed of two effects: a positive effect of $712 in earnings and fringe benefits for experimentals while in OJT jobs, and a negative effect of -$411 for unsubsidized earnings. This short-term negative effect on unsubsidized earnings is probably associated with two phenomena. First, many OJT employees would likely have found unsubsidized jobs had they not been eligible for OJT employment. In effect, their earnings from OJT jobs substituted for earnings from unsubsidized jobs. Second, the rest of the experimental group who weren't employed in OJT jobs did not find unsubsidized jobs as quickly as controls.[19] During the rest of the observation period, unsubsidized earnings and fringe benefits made up 90 percent of the early-sample experimentals' net gain in earnings and fringe benefits of $700.

Similarly, for early-sample experimentals, increases in AFDC payments and other transfers are displayed during the Common Period -- primarily

because savings in AFDC grants were diverted to the wage pool and because OJT employees were eligible for Medicaid during their trial employment. These increases were offset by even greater savings during the rest of the observation period, when the wage subsidy period had ended. (See Table 4.5.)

When net losses to experimentals from decreased transfer payments and higher taxes are subtracted from net gains in earnings and fringe benefits, the resulting difference indicates how well experimentals fared as a result of their eligibility for OJT employment. For the entire observation period, experimentals in the early sample display a net gain of $330. (This estimate differs slightly from the one discussed in Section V below.[20]) Since this estimate is already positive in the observation period, estimates based on infinite decay are likewise positive, and changing assumptions about future effects will only affect the magnitude of additional gains.

The column in Table 5.3 headed Projected Amount presents a range of values with the first number calculated assuming a straight-line decrease in program effects and the second assuming zero percent decay. The column headed Base Period displays the quarterly averages for the last six months of observed data upon which projections are based. The final column, which is simply the sum of observed and projected effects, indicates the estimated program effects during the five-year period starting at random assignment.

In each of these two tables, the projected estimates using the straight-line decay assumption are somewhat larger than the observed estimates -- including the estimate of AFDC savings, once the cost of diverted

grants is taken into account. Utilizing the zero percent decay rate nearly doubles the projected amounts.

For experimentals in the early sample, gains in earnings and fringe benefits range between $2,211 and $3,350 over a five-year period, while tax yields increase by $395 to $639.[21] Savings in welfare and other transfer payments and in expenditures for transfer payment administration range from $574 to $942, depending on assumptions.

## IV. Costs

This section presents an analysis of experimental-control differences in the cost of services and support payments. Of greatest interest are the direct costs of providing OJT employment. These costs have two components: the cost of wage subsidies to employers and the cost of administering the program. Indirect costs concern expenditures for providing additional WIN and JTPA services used by experimentals in lieu of or in conjunction with OJT employment. The sum of direct and indirect costs is the total cost of the experimental program stream. Theoretically, in an OJT program for welfare recipients, a portion of the direct costs of placing recipients in OJT positions will be offset by savings in indirect costs, as recipients eligible for OJT employment use alternative services less. In this study, the costs of serving controls through the WIN and JTPA systems provide a benchmark for estimating these savings.

In this section (and throughout the rest of the chapter), experimental-control differences in the cost of services are referred to as net costs. Table 5.4 displays the net cost of each WIN component as well as the net cost of administering and enforcing the WIN system; the net cost of

support services for participants in WIN activities; and the net cost of JTPA activities. Since controls were not eligible for OJT jobs, the net costs of the OJT component are equivalent to the average costs of serving experimentals. The experimental-control difference in total costs, direct and indirect, is the net cost of the OJT program, i.e., the additional cost incurred from adding the OJT component to the WIN system. Again, in theory, this total net cost ought to be less than the direct cost of running the OJT component, as savings should be realized from decreased use of WIN and JTPA services by experimentals.

This section also discusses the average costs of providing services and support payments for all members of each research group. These average costs are referred to as gross costs. (For any activity or support payment, subtracting the gross cost of serving controls from the gross cost of serving experimentals produces the net cost.) Because the benefit-cost analysis is principally concerned with estimating the incremental effects of New Jersey's OJT program, net costs rather than gross costs receive the greatest attention.

Both gross costs and net costs are averaged over all experimentals -- including those who never worked in an OJT position and nonparticipants in WIN and JTPA activities. To give a sense of the absolute cost of providing services and support payments, the analysis estimates the average cost of OJT employment for the 41 percent of experimentals who actually worked in OJT jobs, as well as the average cost for individuals who actually participated in a WIN or JTPA activity or received a support payment from the WIN system. These costs are referred to as per-employee or per-participant

TABLE 5.4

NEW JERSEY

ESTIMATED NET COSTS OF OJT PROGRAM, OTHER WIN SERVICES AND JTPA EDUCATION AND TRAINING ACTIVITIES, PER EXPERIMENTAL (EARLY SAMPLE)

| Cost Variable | Net Difference |
|---|---|
| OJT Program | |
| Wage Subsidies | $348 |
| Operating Costs | 500 |
| Total | 847 |
| Other WIN Operating Costs | |
| Re-registration | 0[a] |
| Appraisal | 1 |
| Individual Job Search | -15 |
| Group Job Search | -4 |
| Work Experience | 2 |
| WIN Institutional Training | 4 |
| Referral to Non-WIN Training | -0[a] |
| Suspense to Non-WIN Subsidized Employment | -1 |
| Administration and Enforcement | -25 |
| Total | -39 |
| WIN Allowances and Support Services[b] | |
| Training Related Expenses | -11 |
| Child Care Payments | -10 |
| Total | -21 |
| JTPA Operating Costs | 73 |
| Total Costs | 860 |
| Sample Size | 508 |

SOURCE: MDRC calculations from New Jersey ESARS and JTPA Automated Reporting System; Grant Diversion Financial Records; DOL Training Related Expenses records; DHS-BEP childcare vouchers; New Jersey WIN Grant Diversion Project On Board Summary Reports; published WIN, JTPA, and DHS-BEP expenditure and participation records.

NOTES: Because of rounding, detail may not sum to totals.

[a]Less than $0.50 and greater than -$0.50.

[b]Estimates are calculated from a subsample of 377 experimentals and controls randomly assigned between January and June 1986. The subsample is weighted to replicate the distribution of sample members randomly assigned during these months.

costs. Unlike the estimate program benefits, cost calculations are not regression adjusted.[22]

Estimates of program costs use all available follow-up for program tracking records (21 to 32 months); however, the analysis assumes that no further costs are incurred beyond the observation period. This assumption is reasonable because after December 1986 (or six months before the end of the observation period), OJT job developers were no longer writing OJT contracts for members of the research sample. Also, the participation rates of experimentals and controls in alternative WIN and JTPA services were similar during the observation period. This suggests that net differences in the use of these services (and hence net costs) will be close to zero in future years.

Each net cost was estimated in several steps. The first step was to determine the "unit cost," that is, the average cost of providing a single unit of service to one person.[23] Published data on WIN and JTPA expenditures and participant counts for FY 1986 were used for estimating unit costs.[24] All costs are expressed in 1986 dollars to permit comparison with program benefits. Separate unit costs were estimated for each county or SDA.

Next, for each research group, MDRC calculated the average number of units of service that group members used. Due to budgetary constraints, it was necessary to simplify this calculation for alternative WIN and JTPA activities by assuming that no one participated in an activity more than once during the follow-up.[25] For these activities the per-participant cost is either the county or SDA unit cost for those who participated in the activity during the follow-up or zero for those who did not. These per-

participant costs were then averaged over all members of each research group to produce the gross costs. Subtracting the gross costs for controls from the gross costs for experimentals yields the net costs of each activity.

It was possible to account for multiple instances of service in estimating the direct costs of operating the OJT component, the cost of WIN administration and enforcement, and the cost of WIN support services. Per-participant cost estimates were obtained by multiplying the unit costs by the number of units of service used. These estimates were then averaged over all members of the research group to produce the gross costs. As previously, the net cost was the experimental-control difference in gross costs. Costs are displayed in Table 5.4.

A. New Jersey OJT Program Operating Costs

1. Employer subsidies. Estimates of employer subsidies are derived from published quarterly data on cumulative expenditures for wage subsidies; published counts of the number of OJT placements; and OJT employment records for members of the research sample. These estimates are approximate because the cumulative expenditure data include wage subsidies for individuals not in the research.[26]

Budget limitations made it necessary to estimate the average wage subsidy indirectly. Published data on employer subsidies indicate that the OJT program spent $451,097 (in 1986 dollars) between April 1984, the start of the OJT pilot project, and March 1987 to subsidize 562 OJT placements.[27] All but one experimental had finished her OJT by the latter date, so that after March, the program was paying wage subsidies almost exclusively for individuals not in the research. According to OJT employment records,

members of the early sample worked in 220 of these OJT jobs (39.1 percent). Thus, it is assumed that early-sample members accounted for 39.1 percent of wage subsidies or $176,586. Averaged over the 207 OJT employees in the early sample (13 had a second OJT job), the per-employee cost of wage subsidies was $853. Averaged over all experimentals, the gross cost was $348.

2. OJT operating costs. Administrative costs for the OJT program were derived from WIN expenditure records for staff and nonstaff costs during FY 1986; data on New Jersey DHS administration costs for the program; published counts on OJT placements during FY 1986; and OJT employment records.[28] The analysis estimates that total costs for administering the OJT program during FY 1986, including fringe benefits and nonstaff costs, came to $334,570 (in 1986 dollars). During this period, the program made 290 OJT placements (including placements for members of the later sample). The administrative cost of placing one person in an OJT job was therefore $1,154. Multiplied by the 220 OJT jobs accounted for by early-sample experimentals and averaged over all 508 members of the research group, the gross cost of administering the program was $500 ($1,226 per OJT employee). Combined gross costs of wage subsidies and OJT program administration come to $847 per experimental and $2,079 per OJT employee.

B. The Cost of Other WIN Services

Estimates of the net cost of operating the New Jersey WIN system for experimentals and controls are based on published WIN staff and nonstaff expenditure reports for FY 1986; New Jersey DHS, Bureau of Employment Programs expenditure reports for the same period; and published participant counts for WIN activities.[29] This section presents net cost estimates

for all WIN activities in which sample members participated after random assignment: registration for WIN; appraisal; individual job search[30]; Job Club; work experience; referrals to WIN institutional training; referrals to non-WIN training; and referrals to non-WIN subsidized employment. The administration and enforcement category includes costs associated with caseload management: scheduling; counseling; enforcing program regulations; deregistering sample members; sanctions; and recordkeeping.

In the New Jersey WIN system, program staff record hours devoted to specific activities and charge their time accordingly. For each activity, a unit cost can then be calculated, which represents the total cost of staff time devoted to the activity during FY 1986, marked up for fringe benefits and nonstaff costs, and divided by the number of instances of participation in the activity. Unit costs for each WIN activity were estimated for each of the nine counties in the demonstration. Gross and net costs were estimated as described at the beginning of this section. Table 5.4 displays net costs for WIN components.

Alternative WIN activities are less staff-intensive than the OJT program. All but one component carried per-participant costs of under $200 -- or less than 10 percent of the total per-employee cost of the OJT program. (The little-used WIN institutional training component cost $850 per participant.) Gross costs, which reflect the experimental and control participation rates discussed in Chapter III, averaged less than $10 per activity, except for the cost of individual and group job search: about $80 and $40 respectively. As displayed in Table 5.4, experimental-control differences in the cost of alternative WIN services were small: Only individual job search had a net cost over $15, and the total difference in the

cost of WIN services was $2 less -- not counting the cost of administration and enforcement.

1. Administration and enforcement. The cost of administration and enforcement encompasses all WIN staff costs, marked up for fringe benefits and nonstaff costs, that were not attributed to specific activities, plus expenditures for serving sample members incurred by New Jersey DHS, Bureau of Employment Programs.[31] For each of the nine counties in the demonstration, the combined expenditures for FY 1986 were divided by 12 to approximate a monthly cost; in turn, the monthly cost was divided by the average number of WIN registrants per month during FY 1986 to produce an estimate of the average cost of administration and enforcement for one WIN registrant for one month.

To estimate the per-participant cost, the county unit cost of administration and enforcement was multiplied by the number of months in which the sample member was registered during the follow-up. For experimentals, the cost of WIN administration and enforcement was set to zero for every month employed in an OJT job. This modification was warranted because the OJT program incurred the cost of serving OJT employees for these months.[32]

Table 5.4 displays the experimental-control difference in the cost of WIN administration and enforcement. Like the costs of running WIN components, the remaining costs of operating the system were relatively low. Gross costs for experimentals in the early sample were $147, based on an average of 13.7 months registered for WIN (15.2 total months minus 1.5 months in OJT jobs). Controls averaged 15.4 months in the WIN program and accumulated gross costs of $172. The experimental-control difference or net cost of Administration and Enforcement was only -$25.

C. Support Services

The New Jersey WIN system paid participants in WIN activities an average of $4.50 per day to cover training-related expenses. Participants in WIN activities were also eligible to receive childcare money from New Jersey DHS, Bureau of Employment Programs: up to $160 per child per month. OJT employees were not eligible to receive these support services. Instead, they, like any other AFDC recipient who had found a job, were reimbursed for these expenses indirectly through their AFDC grant calculation. Specifically, they received an automatic $75 per month deduction for work-related expenses and were allowed to deduct up to $160 per month per child for childcare costs from the value of earnings used to figure welfare grants. These deductions in turn permitted OJT employees to keep more of their welfare grant. However, if OJT wages exceeded 185 percent of New Jersey's standard of need, the OJT employee received zero dollars in AFDC, irrespective of work-related or childcare expenses.[33]

In theory, New Jersey's OJT program should produce an indirect savings in support service costs because recipients eligible for OJT employment are supposed to participate less often in other WIN activities and consequently require fewer support payments. This hypothesis is tested by estimating the experimental-control difference in support service costs.

As discussed in Chapter II, the cost of Training-Related Expense (TRE) payments was estimated for a subsample of 377 experimentals and controls randomly assigned from January to June 1986. The analysis used TRE records and childcare vouchers from random assignment through May 1987 to estimate these costs. Budgetary constraints prevented an examination of payment records for members of the early sample; therefore, the net cost for

support payments derived from this subgroup from the late sample will be used for both samples.

Table 5.4 presents the net costs of TRE and childcare payments. About half of the 377 members of the subsample received at least one TRE payment; payments per recipient averaged $96. The gross costs of TRE payments were $46 for experimentals and $57 for controls, resulting in a net savings in TRE payments of $11. Receipt of BEP childcare payments was much less common: only about 8 percent of the sample received a payment and recipients of childcare payments received only $252 on average throughout the follow-up. Again, gross costs were slightly lower for experimentals -- $19, compared to $29 for controls. Thus, the OJT program yielded a net savings in BEP childcare costs of $10 and a combined savings in childcare and TRE costs of $21.

D. Total WIN Costs

Among the early sample, experimentals averaged $349 in WIN activity, administration and enforcement, and support service costs. This amount represents an additional expense of 41 percent above the cost of running an OJT program for the same individuals. Total WIN costs for early sample controls averaged $409. The combined savings resulting from decreased use of WIN services and support payments was $60 -- equivalent to 7 percent of the combined cost of OJT wage subsidies and administrative costs. As discussed previously, the absence of greater savings resulted from the failure of the program to place most experimentals in OJT jobs as well as the frequent use of alternative WIN services by experimentals.

E. JTPA Costs

In theory, New Jersey's OJT Program should produce indirect savings in JTPA expenditures because experimentals substitute OJT employment for JTPA training. The analysis tests the hypothesis by estimating the experimental-control difference in JTPA costs.

To estimate the net cost of providing education and training services through New Jersey's JTPA system, MDRC obtained automated JTPA enrollment records for each sample member from the point of random assignment through May 1987.[34] The cost calculations included participation in JTPA activities that occurred during the follow-up period, whether or not the person was still registered with New Jersey WIN at the time of participation.

Over 90 percent of JTPA participants among the research sample took part in activities funded through Title II A of the program. MDRC therefore used published expenditure and enrollment data for Title II A for each SDA for Program Year 1985 (July 1985 through June 1986) to derive unit costs of participation. For each New Jersey SDA, MDRC estimated the unit cost by dividing total expenditures during the fiscal year by total enrollees. As with estimated per-participant costs of WIN components, MDRC credited each JTPA participant with the unit cost for her SDA. (Length of time in that activity was not a consideration.) Summing per-participant costs for each sample member and averaging across the entire research group produced the gross costs of JTPA. The experimental-control difference in these gross costs represents the net cost of the program. The net cost of JTPA services is displayed in Table 5.4.

JTPA education and training activities use staff resources more intensively than do most WIN components. Average per-participant costs were

$1,886. As discussed in Chapter III, early-sample experimentals actually used the JTPA system more than controls did: nearly 21 percent of experimentals compared to 17 percent of controls participated in a JTPA activity during the first year after random assignment. This difference persisted through the remaining follow-up, resulting in gross costs of $445 for experimentals and $373 for controls. The net cost of JTPA services was $73.

F. Summary of Costs

Experimentals in the early sample received, on average, $1,642 in services and support payments from New Jersey's OJT program, alternative WIN services, and the JTPA system. This cost is considerably higher than was found in mandatory WIN job search and work experience programs studied by MDRC as part of its demonstration of work/welfare initiatives, but less than the average cost of Maine's TOPS program.[35] About $794 (48 percent) of this amount represents the cost of providing services other than OJT employment. This means that unless New Jersey's welfare administrators design and implement an OJT program that increases the OJT employment rate and gets eligible participants into OJT employment faster (a formidable challenge, as New Jersey placed more individuals in OJT positions than any of the other five states in OFA's OJT demonstration), the indirect costs of the program are likely to be nearly as high as the direct costs of providing OJT employment.

Total costs for providing WIN and JTPA services to controls in the early sample averaged $782. This amount is high compared to gross costs of serving controls in other work/welfare programs and indicates that controls were highly served. Total net costs averaged $860 per experimental --

roughly equivalent to the additional cost of providing OJT employment services to individuals in the experimental group. Again, this indicates that under present operating conditions, the OJT program will not produce any indirect savings from decreased use of alternative services.

## V. Distribution of Results

In this section, the analysis combines these estimates of net costs and benefits to produce a single measure of the cost-effectiveness of New Jersey's OJT program. This measure is referred to as net present value and is calculated by subtracting net costs from benefits. The analysis also considers the benefits and costs of New Jersey's OJT program from four perspectives: the welfare sample, the government budget, taxpayers, and society (which combines the welfare sample and taxpayers). As explained below, the distribution of benefits and costs varies according to the perspective considered; therefore, a program can produce a net gain from one perspective (meaning that benefits exceed costs) but a net loss from another.

From a policy standpoint, this analysis is of considerable interest. Estimates of net present value taken at particular points in time provide an important tool for assessing whether a welfare program is reducing the burden of welfare costs and improving the economic standing of welfare recipients. However, the conclusions drawn from this analysis depend upon the magnitude, direction (negative or positive), and consistency of the estimates of net present value (i.e., if they are negative or positive from each perspective). For instance, if the net present value is very large (in a positive or negative direction), the estimate should indicate whether

a program is financially worthwhile. If, on the other hand, net present value is close to zero, it means that the program is "breaking even" from a fiscal standpoint. Interpreting the value of continuing the current mix of program services or maintaining the current level of spending is then much less certain. Similarly, it is easier to gauge the cost-effectiveness of a program when the analysis indicates that it produces net gains or net losses from each perspective than when the program produces a net gain from one perspective but a net loss from another. The confidence with which one can evaluate a program based on estimates of net present value also depends on the amount of follow-up data on which these estimates are based and the extent to which the estimates depend on assumptions about future trends in program impacts.

In this analysis of net present value, all benefits (except the value of output from work experience jobs) are projected to the end of the fifth year after random assignment. Benefits are presented as a range of values with a low estimate based on an assumed straight-line decrease in impacts to zero at the end of the five-year period and a high estimate of zero percent decay. This analysis also uses the same estimates of net costs that were used in the previous section. Estimates of net present value based on the assumption of infinite decay are also presented for the two most important perspectives: the welfare sample and the government budgets. (See Appendix Table E.1.)

The analysis of net present value is considered first from the perspective of the welfare sample -- i.e., the experimentals and controls. For the welfare sample, the benefits generated by the New Jersey OJT program are the additional earnings and fringe benefits received by experimentals

from OJT jobs and unsubsidized employment. Subtracted from these gains are losses to the group due to increased taxes owed on earned income and a reduction in transfer payments and WIN support services. Table 5.5 and Appendix Table E.1 present the benefits and losses estimated for the five-year time period and the estimates of net present value for the welfare sample.

As discussed in Section III.D, during the observation period experimentals in the early sample received net gains in earnings and fringe benefits that exceeded combined losses through increased taxes and losses in AFDC and other transfer payments by $330. Even when additional losses in WIN support payments are accounted for, experimentals are still left with a $309 net gain. (See Table E.1.) Thus, even assuming no further gains or losses (infinite decay) beyond the observation period, the welfare sample comes out ahead. However, since program effects will doubtless continue (even with some decay of impacts), additional gains may be anticipated for the welfare sample. As displayed in Table 5.5, the analysis estimates a net gain for the welfare sample of between $971 and $1,554, depending on assumptions about the future course of program effects.

The government budgetary perspective is of critical concern to policymakers interested in budget savings. According to this perspective, smaller average transfer payments to experimentals and reduced costs of administering transfer payments constitute benefits. The government budget also benefits from the net increase in taxes paid by experimentals.[36] In this analysis, the government budget receives additional benefits from experimentals' decreased use of alternative WIN services and lower average support payments. In contrast, net losses to the government budget result

TABLE 5.5

NEW JERSEY

FROM THE PERSPECTIVE OF THE WELFARE SAMPLE:
ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS
(EARLY SAMPLE)

| Component of Analysis | Estimate |
|---|---|
| Gains | |
| Earnings and Fringe Benefits | |
| OJT Employment | $779 |
| Unsubsidized Employment | 1432 to 2571 |
| Losses | |
| Tax Payments | -367 to -596 |
| AFDC Payments | -652 to -801 |
| Other Transfer Payments | -201 to -379 |
| WIN Allowances and Support Services | -21 |
| Net Present Value[a] | 971 to 1554 |

SOURCE: See Tables 5.1, 5.2 and 5.4.

NOTES: Positive amounts indicate a gain; negative amounts indicate a loss. All benefits and costs are estimated for a five-year period beginning at random assignment and are expressed in 1986 dollars. Because of rounding, detail may not sum to totals. Results include estimates of projected program effects beyond the observation period (see Table 5.3).

[a]The net present value is the sum of all gains and losses.

from the net costs of OJT subsidies and program administration and the net increase in the use of the JTPA system by experimentals. Tables 5.6 and E.1 present these gains and losses from the perspective of the government budget and provide estimates of net present value.

By the end of the observation period, the government budget had incurred an $860 net loss from providing services to experimentals in the early sample -- the result of combined net costs of $920 ($847 for OJT subsidies and administrative costs and $73 from increased use of JTPA services) offset by combined net savings of $60 ($39 from decreased use of WIN services and $21 less in average WIN support payments). During the observation period, the budget realized additional net gains of $773 from increased taxes and savings in transfer payments and transfer administration.[37] The -$86 difference between net gains and losses (i.e., the net present value) during the observation period indicates that the government budget comes close to breaking even at the end of the two-year observation period for the early sample, while producing a $309 net gain for experimentals.

Even if no additional budgetary savings were realized, this small loss to government budgets could be considered a more cost-efficient means of raising the income of welfare recipients than increasing welfare benefits. However, it is expected that experimentals will continue to average higher earnings than controls and the budget will continue to benefit from higher taxes and net savings in transfer payments and administrative costs. Using the straight-line decay assumption, the government budget breaks even in about 2.5 years after random assignment and realizes a $601 net gain over five years. (See Table 5.6.) Under the assumption of zero percent decay,

TABLE 5.6

NEW JERSEY

FROM THE GOVERNMENT BUDGET PERSPECTIVE:
ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS
(EARLY SAMPLE)

| Component of Analysis | Estimate |
|---|---|
| Gains | |
| Payroll Taxes | $310 to $469 |
| Income and Sales Taxes | 226 to 383 |
| AFDC Payments | 652 to 801 |
| Other Transfer Payments | 201 to 379 |
| Transfer Program Administration | 72 to 113 |
| Other WIN Operating Costs | 39 |
| WIN Allowances and Support Services | 21 |
| Losses | |
| OJT Wage Subsidies | -348 |
| OJT Operating Costs | -500 |
| JTPA Operating Costs | -73 |
| Net Present Value[a] | 601 to 1284 |

SOURCE: See Table 5.1, 5.2 and 5.4.

NOTES: See Table 5.5.

[a]The net present value is the sum of all gains and losses.

the budget breaks even in 2.2 years and gains an additional $1,284 benefit over five years.

Table 5.7 summarizes the net present value calculations for these two perspectives and introduces the final two perpectives in the analysis -- those of taxpayers and of society. The taxpayers' perspective differs from that of the government budget in two respects. First, as discussed in Section III.A, taxpayers suffer a $9 net loss from decreased value of output from work experience jobs. Second, the taxpayers' perspective includes the net gains and losses of employers (OJT and other). For instance, as shown on Table 5.7, experimentals' increased value of output from OJT and unsubsidized employment represents a net gain to taxpayers that is offset by the cost of wages and fringe benefits. Payroll taxes paid by employers represent a transfer from one group of taxpayers to another whose net effect is zero (although Social Security taxes paid by experimentals are a gain to all). Similarly, OJT wage subsidies are a gain to employers at the expense of other taxpayers; and the net effect is again zero. As displayed in Table 5.7, combined net gains (or net present value) over five years from the taxpayers' perspective range from $939 to $1,623 and are of similar magnitude to estimated gains for welfare sample.

The final perspective presented here is that of society, which includes both the welfare recipients and taxpayers. From this perspective, program effects that are a gain to one of these groups but an equivalent loss to the other group yield no net benefits; they are simply transfers between groups. For example, the reduction in AFDC benefits is neither a net benefit nor a net loss to society: It is a loss to the welfare sample but a net gain to taxpayers. In contrast, the reduced administrative cost

TABLE 5.7

NEW JERSEY

ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS,
BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE
(EARLY SAMPLE)

| Component of Analysis | Accounting Perspectives | | | |
|---|---|---|---|---|
| | Welfare Sample | Budget | Taxpayer | Society |
| Earnings | | | | |
| OJT Employment | $695 | $0 | $-695 | $0 |
| Unsubsidized Employment | 1278 to 2293 | 0 | -1278 to -2293 | 0 |
| Fringe Benefits | | | | |
| OJT Employment | 84 | 0 | -84 | 0 |
| Unsubsidized Employment | 155 to 278 | 0 | -155 to -278 | 0 |
| Output Produced by Participants | | | | |
| Work Experience | 0 | 0 | -9 | -9 |
| OJT Employment | 0 | 0 | 839 | 839 |
| Unsubsidized Employment | 0 | 0 | 1541 to 2767 | 1541 to 2767 |
| Tax Payments | | | | |
| Payroll Taxes | -141 to -214 | 310 to 469 | 141 to 214 | 0 |
| Income and Sales Taxes | -226 to -383 | 226 to 383 | 226 to 383 | 0 |
| Transfer Programs | | | | |
| AFDC Payments | -652 to -801 | 652 to 801 | 652 to 801 | 0 |
| Other Transfer Payments | -201 to -379 | 201 to 379 | 201 to 379 | 0 |
| Transfer Program Administration | 0 | 72 to 113 | 72 to 113 | 72 to 113 |
| OJT Wage Subsidies | 0 | -348 | 0 | 0 |
| OJT Operating Costs | 0 | -500 | -500 | -500 |
| Other WIN Operating Costs | 0 | 39 | 39 | 39 |
| WIN Allowances and Support Services | -21 | 21 | 21 | 0 |
| JTPA Operating Costs | 0 | -73 | -73 | -73 |
| Net Supervision Costs | 0 | 0 | - | - |
| Preference for Work Over Welfare[a] | + | 0 | + | + |
| Forgone Personal and Family Activities[a] | - | 0 | 0 | - |
| Net Present Value[b] | 971 to 1554 | 601 to 1284 | 939 to 1623 | 1910 to 3176 |

SOURCES: See Tables 5.1, 5.2 and 5.4.

NOTES: See Table 5.5.

[a] These are intangible effects not measured in this analysis.

[b] The net present value is the sum of all gains and losses.

of the AFDC program is a net benefit to society because taxpayers save money, and the welfare sample is not directly affected. Table 5.7 displays program effects from this perspective.

For the early sample, society receives a net benefit of between $1,910 and $3,176 due to net gains in value of output from OJT and unsubsidized employment and savings in transfer payment administration expenditures. These gains exceed the net present value estimates for each of the other three perspectives.

## VI. Generalizability of the Findings

Benefit-cost estimates for the early sample may underestimate the cost-effectiveness of New Jersey's OJT program. As discussed in Chapter III, the OJT program placed a higher percentage of later-sample experimentals in OJT jobs compared to early-sample experimentals (45 to 41 percent). Since the OJT program appears to benefit enrollees by placing some of them in higher-paying or more stable employment than they could have found on their own, it can be expected that five-year earnings gains for the later sample will be larger. Gains for the full research sample should also be larger, but by a smaller amount. However, the short follow-up for the later sample makes projection of future effects highly speculative. Appendix Tables E.2 to E.4 display observed and projected benefits for the later sample. Equivalent estimates for the full sample can be found in Tables E.5 to E.7.

During the Common Period (quarters two through four following random assignment), later-sample experimentals average $716 in earnings gains (see Table E.2), about $415 more than early-sample experimentals. However,

savings in transfer payments were also higher by about $300. As shown in Table E.3, later-sample experimentals receive a net gain of $185 during the observation period, while the budget breaks even.

Longer-term impacts for the early sample suggest that the magnitude of savings in transfer payments will decay more rapidly than earnings gains. But the base period estimates for transfer payments capture much of the relatively rapid short-term decrease and project it more than 3.5 years. Therefore, net gains for later-sample experimentals ($881 to $1,459) fall slightly below those for the early sample. (See Table 5.7.) Net gains for the budget ($1,207 to $2,332) are considerably higher than those displayed by the early sample, however. Had the base period captured savings in transfer payments at a later point in time, gains for the welfare sample might be larger, while gains for government budgets might be smaller. Again, absence of follow-up prevents more definite conclusions.

## VII. Conclusions

The New Jersey OJT program produced net gains from all perspectives that are measurable even when using relatively conservative assumptions concerning future program effects. The consistency of these estimates supports the conclusion that the program is cost-effective and a useful tool in an array of employment and training services for welfare recipients in New Jersey. As intended, the program helped welfare recipients find employment that paid better or offered more hours of work -- although it did not increase employment rates. It is also noteworthy that state and local DHS and ES/WIN staff succeeded in running an OJT program, using grant diversion to fund employer subsidies.

Although these results are positive, the findings presented here, along with the experience of OJT programs in other states, underscore the difficulty of expanding OJT employment opportunities. In New Jersey as elsewhere, the OJT program operated on a small scale and worked with a select group of welfare recipients interested in on-the-job training and deemed employable by job developers. In this demonstration, random assignment reduced the number of enrollees and may have curtailed the number of OJT placements. But the capacity of the program even to work with the welfare recipients most likely to benefit from eligibility for OJT employment still appears to be limited. For instance, since the end of the experimental phase of the program, New Jersey has averaged about 240 OJT placements per year, as compared to 200 per year recorded during the demonstration.[38] If the consensus among job developers interviewed for the evaluation is correct, more funds for job development and support staff may increase OJT placements. However, this evaluation could not test these assertions.

Finally, there is no evidence to date that demonstrates the feasibility or cost-effectiveness of making OJT employment available to the larger welfare population. Therefore, the OJT program is probably best seen as an effective but limited part of the state's overall employment services for welfare recipients.

# APPENDIX A

APPENDIX A

## HOW GRANT DIVERSION WORKS

In New Jersey, diversion of AFDC grants and the payment of OJT wage subsidies require coordination among county DHS and DOL staff and central DOL administrators. Included in the process are ES/WIN job developers; Income Maintenance staff, grant diversion administrators, fiscal and data processing staff at County Welfare Agencies; and fiscal and administrative staff at the central DOL office.

### I. Notification of the Income Maintenance Unit

When an enrollee begins an OJT job, the job developer makes an entry in the On Board Summary Report, the OJT employment logs used in this report, and an ES/WIN clerk fills out a WIN Status Change Notice indicating that the enrollee has begun OJT employment. (Status Change Notices are also used to record other WIN activities and serve as the data source for ESARS.) ES/WIN sends a copy of the Status Change Notice to the County Welfare Agency's Income Maintenance Unit (IMU). Upon receipt of the Status Change Notice, IMU staff enter a new code in the enrollee's computerized records that designates her as an OJT employee. Job developers notify the IMU when the subsidy period ends, at which time the code for OJT employment is deleted from the welfare recipient's computerized record. Each month, FAMIS, the DHS computerized data base, generates a list of OJT employees, and county IMU staff and job developers compare the names on this list with the OJT employees recorded on the On-Board Summary Report. A common list of OJT employees is agreed upon, and grant diversion calculations are

performed for these individuals.

II. Calculations by the IMU

All enrollees in New Jersey's OJT program receive their regular welfare checks while they wait for an OJT position. Once an enrollee begins her OJT job, New Jersey is authorized through a waiver under Section 1115 of the Social Security Act to freeze the value of her welfare grant at the amount that she received for that month. (When the value is "frozen," the welfare agency receives the same amount of money from the state and federal treasury as previously to cover the individual's welfare check.) New Jersey then has the right to divert funds for as many months as the length of the OJT contract (up to six months) -- or, if the OJT employee quits or gets fired before the end of the contract period, for as many months as the OJT employee worked.

IMU workers follow the same procedures for calculating an OJT employee's welfare grant as they do for calculating grants of any welfare recipient who is working. Each month, the OJT employee is required to send in a Monthly Status Report that includes records of her previous month's earnings. IMU staff then use the value of earnings when calculating the following month's AFDC grant. Since it takes one month to collect earnings records and another month to put the recalculated grant into effect, an OJT employee's welfare check does not reflect her earnings until the third month following the start of her OJT job. New Jersey uses prospective budgeting to estimate future benefit levels and retrospective budgeting to recoup welfare savings for the first two months of employment, when OJT employees (or other welfare recipients) are working and receiving their

regular welfare checks. That is, the IMU continues to use the value of a previous month's wages to calculate the next month's AFDC grant for two months after the recipient leaves a subsidized OJT job or an unsubsidized position.

How much AFDC income an OJT employee receives each month depends on the amount of wages she earns at her OJT job, the number of dependents in her family, and the deductions to which she is entitled under the normal rules for calculating welfare grants. An OJT employee (like other wage-earners on AFDC) is entitled to a $75 per month deduction from the value of wages to cover work-related expenses. She is also instructed to include in her Monthly Status Report records of childcare payments for the previous month. Up to $160 per child per month will be deducted from the value of earnings to cover the cost of childcare. Finally, for the first four months of employment (OJT or unsubsidized), the recipient receives an additional deduction of $30 plus one-third of the remaining value of monthly wages, once these other deductions have been subtracted. For the remaining two months of a six-month OJT trial employment period, she receives a $30 deduction.

Once deductions are made, the value of remaining earnings is subtracted from the maximum welfare payment allowed to the household, and the welfare recipient receives the difference as a residual welfare grant. If the value of her remaining earnings exceeds the value of the maximum allowable payment, or if the value of earnings prior to deductions exceeds 185 percent of the maximum income that a person may earn and still receive welfare, the OJT recipient receives no welfare payment. (She and her family remain eligible for Medicaid, however.) The remaining portion of

the monthly grant -- from one dollar up to the total value of the grant -- is diverted to pay for wage subsidies.

III. From Diverted Grant to Wage Subsidies

Once the monthly grant diversion calculations are made, each County Welfare Agency issues a check for the total amount diverted to the central fiscal office of New Jersey DOL. In New Jersey, these funds are deposited in a single grant diversion account, but are designated for exclusive use by the county of origin. (In other words, New Jersey maintains separate wage subsidy pools for each county.) The fiscal office prepares a monthly Grant Diversion Financial Report and sends copies to the ES/WIN central office and the County Welfare Agencies. Upon receipt of the Financial Report, the ES/WIN Coordinator sets the amount of new "obligational authority" for each county -- i.e., the amount for which job developers may contract for new OJT positions, based on the amount of funds paid into the pool the previous month -- and notifies the county ES/WIN units of this amount.

Wage subsidies are financed through invoices drawn on the county wage pools. Each month, the county job developer obtains records of wages paid to OJT employees and forwards the subsidy request to the central DOL fiscal office. DOL then sends a check for half the wages paid to the OJT employee. In general, it takes two or three months for an employer to be reimbursed.

# APPENDIX B

TABLE B.1

NEW JERSEY

SELECTED CHARACTERISTICS OF THE SHORT-TERM IMPACT SAMPLE, BY RESEARCH GROUP

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| County (%) | | | |
| Atlantic | 7.9 | 7.7 | 7.8 |
| Burlington | 8.0 | 8.2 | 8.1 |
| Camden | 12.8 | 12.9 | 12.8 |
| Essex | 12.7 | 13.0 | 12.8 |
| Hudson | 14.6 | 13.2 | 13.9 |
| Mercer | 19.5 | 19.5 | 19.5 |
| Middlesex | 4.4 | 4.8 | 4.6 |
| Monmouth | 11.1 | 11.4 | 11.2 |
| Passaic | 9.1 | 9.2 | 9.2 |
| Sex (%) | | | |
| Female | 96.0 | 96.6 | 96.3 |
| Male | 4.0 | 3.4 | 3.7 |
| WIN Status (%) | | | |
| Mandatory | 82.8 | 83.5 | 83.2 |
| Non-Mandatory | 17.2 | 16.5 | 16.8 |
| Age (%) | | | |
| Less than 19 Years | 0.2 | 0.3 | 0.2 |
| 19-24 Years | 12.5 | 11.4 | 12.0 |
| 25-34 Years | 53.7 | 48.4 | 51.1** |
| 35-44 Years | 25.4 | 32.3 | 28.8*** |
| 45 Years or More | 8.1 | 7.6 | 7.9 |
| Average Age (Years) | 32.0 | 32.4 | 32.2 |
| Ethnicity (%) | | | |
| White, Non-Hispanic | 14.6 | 16.6 | 15.6 |
| Black, Non-Hispanic | 72.0 | 68.5 | 70.3 |
| Hispanic | 13.0 | 14.4 | 13.7 |
| Other | 0.4 | 0.5 | 0.4 |
| Degree Received (%) | | | |
| None | 40.0 | 42.0 | 40.9 |
| GED | 9.8 | 9.8 | 9.8 |
| High School Diploma | 50.2 | 48.2 | 49.2 |
| Average Highest Grade Completed | 11.3 | 11.2 | 11.2 |

(continued)

TABLE B.1 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| Marital Status (%) | | | |
| Never Married | 55.1 | 53.4 | 54.3 |
| Married, Living with Spouse | 3.5 | 3.4 | 3.5 |
| Married, Not Living with Spouse | 22.8 | 23.6 | 23.2 |
| Divorced or Widowed | 18.7 | 19.5 | 19.1 |
| Any Children (%)[a] | | | |
| Less than 6 Years | 23.4 | 20.5 | 22.0 |
| Between 6 and 18 Years | 86.1 | 87.8 | 86.9 |
| Average Number of Children | | | |
| Less than 19 Years | 1.9 | 1.9 | 1.9 |
| Less than 6 Years | 0.3 | 0.3 | 0.3 |
| Between 6 and 18 Years | 1.6 | 1.7 | 1.6 |
| Prior AFDC Dependency (%) | | | |
| Never on AFDC | 1.5 | 0.4 | 0.9** |
| Less than 4 Months | 5.4 | 6.1 | 5.8 |
| 4 Months to 2 Years | 19.3 | 19.9 | 19.6 |
| More than 2 Years | 73.8 | 73.6 | 73.7 |
| Average Number of Months on AFDC during Two Years prior to Random Assignment | 18.5 | 18.5 | 18.5 |
| Received AFDC during Year prior to Random Assignment (%)[b] | 93.9 | 93.2 | 93.5 |
| Average Amount of AFDC Received during Year prior to Random Assignment ($)[b,c] | 3460.89 | 3266.52 | 3365.16** |
| Had a Job at Any Time prior to Random Assignment (%) | 82.9 | 80.3 | 81.6 |
| Average Number of Months Employed during Two Years prior to Random Assignment | 4.0 | 3.8 | 3.9 |
| Reported Earnings during Year prior to Random Assignment (%) | | | |
| None | 64.4 | 68.2 | 66.2 |
| $1-$1000 | 18.7 | 14.7 | 16.7** |
| $1001-$3000 | 9.5 | 8.2 | 8.9 |
| $3001-$5000 | 4.1 | 5.1 | 4.6 |
| Over $5000 | 3.3 | 3.8 | 3.6 |

(continued)

TABLE B.1 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| For Longest Job Held during Past Two Years[d] | | | |
| Average Hourly Wage Rate ($) | 4.57 | 4.55 | 4.56 |
| Average Weekly Hours | 35.0 | 34.8 | 34.9 |
| Sample Size[e] | 814 | 790 | 1604 |

SOURCE: Calculations from MDRC Client Information Sheets and New Jersey DHS Family Assistance Management Information System.

NOTES: Distributions may not add to 100.0 percent due to rounding.

A chi-square test or t-test was applied to differences between research groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Distributions may not add to 100.0 percent because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System.

[c]Calculations include values of zero for sample members not receiving AFDC.

[d]Averages are for 375 experimentals and 339 controls.

[e]For selected characteristics, sample sizes may vary up to 17 sample points due to missing data.

TABLE B.2

NEW JERSEY

SELECTED CHARACTERISTICS OF THE FULL SAMPLE, BY RESEARCH GROUP

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| County (%) | | | |
| Atlantic | 7.9 | 7.7 | 7.8 |
| Burlington | 9.1 | 9.2 | 9.2 |
| Camden | 13.0 | 13.0 | 13.0 |
| Essex | 14.0 | 14.1 | 14.1 |
| Hudson | 12.0 | 10.9 | 11.5 |
| Mercer | 18.4 | 18.6 | 18.5 |
| Middlesex | 3.6 | 4.0 | 3.8 |
| Monmouth | 11.5 | 11.8 | 11.7 |
| Passaic | 10.4 | 10.6 | 10.5 |
| Sex (%) | | | |
| Female | 95.9 | 96.2 | 96.1 |
| Male | 4.1 | 3.8 | 3.9 |
| WIN Status (%) | | | |
| Mandatory | 81.5 | 82.0 | 81.7 |
| Non-Mandatory | 18.5 | 18.0 | 18.3 |
| Age (%) | | | |
| Less than 19 Years | 0.2 | 0.2 | 0.2 |
| 19-24 Years | 12.8 | 12.0 | 12.4 |
| 25-34 Years | 52.8 | 50.4 | 51.6 |
| 35-44 Years | 26.6 | 30.3 | 28.4* |
| 45 Years or More | 7.6 | 7.0 | 7.3 |
| Average Age (Years) | 32.0 | 32.1 | 32.1 |
| Ethnicity (%) | | | |
| White, Non-Hispanic | 14.9 | 17.5 | 16.2 |
| Black, Non-Hispanic | 72.3 | 68.2 | 70.3* |
| Hispanic | 12.4 | 13.8 | 13.1 |
| Other | 0.4 | 0.4 | 0.4 |
| Degree Received (%) | | | |
| None | 39.8 | 40.5 | 40.1 |
| GED | 10.5 | 11.0 | 10.7 |
| High School Diploma | 49.7 | 48.5 | 49.1 |
| Average Highest Grade Completed | 11.3 | 11.2 | 11.3 |

(continued)

TABLE B.2 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| Marital Status (%) | | | |
| Never Married | 54.3 | 52.4 | 53.4 |
| Married, Living with Spouse | 3.6 | 3.5 | 3.5 |
| Married, Not Living with Spouse | 23.1 | 24.1 | 23.6 |
| Divorced or Widowed | 19.0 | 20.0 | 19.5 |
| Any Children (%)[a] | | | |
| Less than 6 Years | 24.0 | 22.4 | 23.2 |
| Between 6 and 18 Years | 85.6 | 87.6 | 86.6 |
| Average Number of Children Less than 19 Years | 2.0 | 1.9 | 2.0 |
| Less than 6 Years | 0.3 | 0.3 | 0.3 |
| Between 6 and 18 Years | 1.6 | 1.6 | 1.6 |
| Prior AFDC Dependency (%) | | | |
| Never on AFDC | 1.8 | 0.7 | 1.3* |
| Less than 4 Months | 5.5 | 5.5 | 5.5 |
| 4 Months to 2 Years | 18.2 | 20.8 | 19.5 |
| More than 2 Years | 74.4 | 73.0 | 73.7 |
| Average Number of Months on AFDC during Two Years prior to Random Assignment | 18.5 | 18.5 | 18.5 |
| Received AFDC during Year prior to Random Assignment (%)[b] | 94.0 | 93.4 | 93.7 |
| Average Amount of AFDC Received during Year prior to Random Assignment ($)[b,c] | 3451.72 | 3263.40 | 3359.16** |
| Held a Job at Any Time prior to Random Assignment (%) | 84.0 | 81.7 | 82.9 |
| Average Number of Months Employed during Two Years prior to Random Assignment | 3.9 | 3.8 | 3.9 |
| Reported Earnings during Year prior to Random Assignment (%) | | | |
| None | 64.6 | 68.5 | 66.5* |
| $1-$1000 | 18.8 | 14.4 | 16.6** |
| $1001-$3000 | 9.5 | 8.4 | 8.9 |
| $3001-$5000 | 3.9 | 4.9 | 4.4 |
| Over $5000 | 3.3 | 3.9 | 3.6 |

(continued)

TABLE B.2 (continued)

| Characteristic | Experimentals | Controls | Total |
|---|---|---|---|
| For Longest Job Held during Post Two Years[d] | | | |
| Average Hourly Wage Rate ($) | 4.50 | 4.52 | 4.51 |
| Average Weekly Hours | 34.4 | 34.8 | 34.6 |
| Sample Size[e] | 988 | 955 | 1943 |

SOURCE: Calculations from MDRC Client Information Sheets and New Jersey DHS Family Assistance Management Information System.

NOTES: Distributions may not add to 100.0 percent due to rounding.

A chi-square test or t-test was applied to differences between research groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Distributions may not add to 100.0 percent because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System.

[c]Calculations include values of zero for sample members not receiving AFDC.

[d]Averages are for 457 experimentals and 415 controls.

[e]For selected characteristics, sample sizes may vary up to 17 sample points due to missing data.

APPENDIX C

TABLE C.1

OJT EMPLOYMENT RATES, NUMBER OF WEEKS TO OJT START
AND AVERAGE LENGTH OF OJT EMPLOYMENT, BY COUNTY
(FULL SAMPLE)

| Item | Atlantic | Burlington | Camden | Essex | Hudson | Mercer | Middlesex | Monmouth | Passaic | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Ever Employed in an OJT Position | 29.5 | 37.8 | 58.6 | 42.8 | 62.2 | 37.9 | 25.0 | 36.8 | 36.9 | 42.8 |
| Ever Employed in a Second OJT Position | 0.0 | 1.1 | 2.3 | 0.7 | 7.6 | 1.6 | 0.0 | 4.4 | 1.9 | 2.4 |
| Average Number of Weeks between Random Assignment and Start of OJT Employment[a] | 7.5 | 8.8 | 3.5 | 3.9 | 4.4 | 9.5 | 2.7 | 9.1 | 5.2 | 6.0 |
| Average Number of Weeks Employed in First OJT Position[a] | 11.2 | 12.2 | 9.4 | 12.0 | 8.4 | 15.9 | 6.6 | 8.4 | 6.2 | 10.5 |
| Sample Size | 78 | 90 | 128 | 138 | 119 | 182 | 36 | 114 | 103 | 988 |

SOURCE AND NOTES: See Table 3.1.

TABLE C.2

NEW JERSEY

ON-THE-JOB TRAINING EMPLOYMENT RATES WITHIN SELECTED SUBGROUPS
(FULL SAMPLE)

| Characteristic | Subgroup Size | Ever Employed in an OJT Position |
|---|---|---|
| WIN Status | | |
| Mandatory | 805 | 41.9% |
| Non-Mandatory | 183 | 47.0 |
| Age | | |
| Less than 19 Years | 2 | 50.0 |
| 19-24 Years | 126 | 42.1 |
| 25-34 Years | 522 | 45.2 |
| 35-44 Years | 263 | 40.7 |
| 45 Years or More | 75 | 34.7 |
| Ethnicity | | |
| White, Non-Hispanic | 146 | 41.8 |
| Black, Non-Hispanic | 709 | 41.6 |
| Hispanic | 122 | 51.6 |
| Other | 4 | 25.0 |
| Degree Received | | |
| None | 390 | 41.5 |
| GED | 103 | 41.7 |
| High School Diploma | 487 | 44.1 |
| Any Children[a] | | |
| Less than 6 Years | 236 | 47.0 |
| Between 6 and 18 Years | 841 | 42.6 |
| Prior AFDC Dependency | | |
| Never on AFDC | 18 | 33.3 |
| Less than 4 Months | 54 | 37.0 |
| 4 Months to 2 Years | 179 | 41.3 |
| More than 2 Years | 731 | 43.9 |
| Number of Months Received AFDC during Year prior to Random Assignment[b] | | |
| 0 Months | 59 | 37.3 |
| 1 to 12 Months | 929 | 43.2 |

(continued)

TABLE C.2 (continued)

| Characteristic | Subgroup Size | Ever Employed in an OJT Position |
|---|---|---|
| Held a Job at Any Time prior to Random Assignment | | |
| No | 157 | 39.5 |
| Yes | 825 | 43.5 |
| Reported Earnings during Year prior to Random Assignment | | |
| None | 634 | 45.4 |
| $1-$1000 | 184 | 35.3 |
| $1001-$3000 | 93 | 47.3 |
| $3001-$5000 | 38 | 34.2 |
| Over $5000 | 32 | 34.4 |
| All Experimentals[c] | 988 | 42.8 |

SOURCE: Calculations from MDRC Client Information Sheets, New Jersey DHS Family Assistance Management Information System and New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: [a]Sample sizes for Any Children add to more than 988 because sample members can have children in both categories.

[b]Calculations are from New Jersey DHS Family Assistance Management Information System and New Jersey WIN Grant Diversion Project On Board Summary Reports.

[c]For selected characteristics, the number of experimentals may vary up to 17 sample points due to missing data.

TABLE C.3

NEW JERSEY

PERCENT INVOLVED IN SPECIFIED ACTIVITIES
WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT, BY RESEARCH GROUP
(FULL SAMPLE)

| Activity Measure | Experimentals | Controls |
|---|---|---|
| Ever Active | 85.0% | 73.5%*** |
| Participated in Any WIN Component[a] | 82.9 | 70.5*** |
| Any Job Search | 61.5 | 66.9** |
| Individual Job Search | 43.5 | 46.5 |
| Job Developer Contact | 19.7 | 23.7** |
| Job Referral | 19.2 | 33.0*** |
| Group Job Search | 18.6 | 22.5** |
| WIN Referrals to Training | 8.1 | 9.0 |
| WIN Institutional Training | 0.3 | 0.0 |
| Non-WIN Institutional Training[b] | 7.4 | 7.2 |
| Non-WIN Subsidized Employment | 0.6 | 1.8** |
| Work Experience | 6.4 | 8.5* |
| OJT Employment | 42.3 | 0.0*** |
| Participated in Any JTPA Training | 18.2 | 17.1 |
| Vocational Training | 13.3 | 11.9 |
| Education (Remedial or Academic) | 1.3 | 1.6 |
| Employment Preparation | 0.2 | 1.0** |
| Job Search or Work Experience | 5.6 | 3.4** |
| JTPA-Provided OJT | 0.5 | 2.5*** |
| Deregistered | 42.6 | 39.8 |
| Due to Sanctioning | 5.7 | 6.0 |
| Entered Employment[c] | 64.9 | 47.4*** |
| Sample Size | 988 | 955 |

SOURCE AND NOTES: See Table 3.3.

TABLE C.4

NEW JERSEY

PARTICIPATION PATTERNS
WITHIN TWELVE MONTHS OF RANDOM ASSIGNMENT,
BY RESEARCH GROUP
(FULL SAMPLE)

| Activity Measure | Experimentals | Controls |
|---|---|---|
| Active in: | | |
| Job Search Only | 28.6% | 48.5% |
| Training Only | 3.7 | 5.5 |
| Work Experience Only | 0.5 | 0.6 |
| OJT Only | 15.3 | 0.0 |
| Job Search and Training | 6.8 | 11.0 |
| Job Search and Work Experience | 1.6 | 4.9 |
| Job Search and OJT | 17.4 | 0.0 |
| Training and Work Experience | 0.1 | 0.4 |
| Training and OJT | 2.9 | 0.0 |
| Work Experience and OJT | 0.5 | 0.0 |
| Job Search, Training and Work Experience | 1.3 | 2.5 |
| Job Search, Work Experience and OJT | 0.9 | 0.0 |
| Job Search, Training and OJT | 3.8 | 0.0 |
| Training, Work Experience and OJT | 0.4 | 0.0 |
| All Four Activities | 1.0 | 0.0 |
| Never Active | 15.0 | 26.5 |
| Total | 99.9 | 99.9 |
| Sample Size | 988 | 955 |

SOURCE AND NOTES: See Table 3.4.

APPENDIX D

TABLE D.1

NEW JERSEY

ESTIMATED REGRESSION COEFFICIENTS OF
EXPERIMENTAL GROUP DUMMY

| Regressor | Dependent Variables | | |
|---|---|---|---|
| | Early Sample Experimental Group Dummy | Short-Term Sample Experimental Group Dummy | Full Sample Experimental Group Dummy |
| Constant | 0.511*** (0.016) | 0.507*** (0.013) | 0.508*** (0.011) |
| Region | | | |
| Atlantic | 0.020 (0.068) | 0.006 (0.054) | 0.010 (0.049) |
| Burlington | 0.036 (0.069) | -0.013 (0.055) | 0.015 (0.048) |
| Camden | 0.036 (0.065) | -0.005 (0.045) | 0.007 (0.042) |
| Essex | 0.014 (0.063) | -0.020 (0.046) | -0.011 (0.041) |
| Hudson | 0.047 (0.078) | 0.037 (0.045) | 0.035 (0.044) |
| Mercer | -- | -- | -- |
| Middlesex | 0.056 (0.118) | -0.003 (0.067) | 0.010 (0.066) |
| Monmouth | -0.001 (0.063) | -0.019 (0.048) | -0.012 (0.044) |
| Passaic | 0.060 (0.073) | 0.009 (0.051) | 0.005 (0.045) |
| Age | | | |
| 24 Years or Less | 0.057 (0.057) | 0.020 (0.048) | 0.019 (0.042) |
| 25 to 29 Years | -- | -- | -- |
| 30 Years or More | 0.020 (0.040) | -0.031 (0.031) | 0.007 (0.028) |

(continued)

TABLE D.1 (continued)

| Regressor | Dependent Variables | | |
|---|---|---|---|
| | Early Sample Experimental Group Dummy | Short-Term Sample Experimental Group Dummy | Full Sample Experimental Group Dummy |
| Number of Children | | | |
| One | 0.002<br>(0.040) | -0.015<br>(0.030) | 0.008<br>(0.028) |
| Two | -- | -- | -- |
| Three or More | -0.008<br>(0.044) | 0.013<br>(0.033) | -0.004<br>(0.031) |
| Received AFDC for More than Eight Quarters prior to Random Assignment | 0.006<br>(0.040) | 0.006<br>(0.031) | 0.001<br>(0.029) |
| Total AFDC Received during Four Quarters prior to Random Assignment | 0.000<br>(0.000) | 0.000<br>(0.000) | 0.000***<br>(0.000) |
| Earned Zero Dollars during Four Quarters prior to Random Assignment | -0.124***<br>(0.041) | -0.078**<br>(0.035) | -0.095***<br>(0.032) |
| Earnings Greater than $1000 during Four Quarters prior to Random Assignment | -0.128**<br>(0.055) | -0.065<br>(0.044) | -0.048<br>(0.041) |
| Not WIN Mandatory | -0.098**<br>(0.047) | -0.022<br>(0.040) | -0.013<br>(0.035) |
| Owns a Car | -0.008<br>(0.045) | 0.053<br>(0.037) | 0.022<br>(0.033) |
| No High School Degree | 0.009<br>(0.033) | -0.020<br>(0.026) | -0.009<br>(0.024) |

(continued)

TABLE D.1 (continued)

| Regressor | Dependent Variables | | |
|---|---|---|---|
| | Early Sample Experimental Group Dummy | Short-Term Sample Experimental Group Dummy | Full Sample Experimental Group Dummy |
| Never Married | 0.004<br>(0.038) | 0.002<br>(0.030) | 0.003<br>(0.027) |
| Black | 0.050<br>(0.039) | 0.048<br>(0.031) | 0.051*<br>(0.028) |
| Male | -0.082<br>(0.082) | 0.035<br>(0.068) | 0.001<br>(0.061) |
| Randomly Assigned between | | | |
| October 1984 and December 1984 | -0.009<br>(0.056) | --[a] | -0.004<br>(0.048) |
| January 1985 and March 1985 | 0.026<br>(0.047) | --[a] | 0.020<br>(0.038) |
| April 1985 and June 1985 | -0.024<br>(0.044) | --[a] | -0.014<br>(0.035) |
| Number of Observations | 994 | 1604 | 1943 |
| Number of Experimentals | 508 | 814 | 988 |
| Number of Controls | 486 | 790 | 955 |
| Degrees of Freedom for Error | 968 | 1581 | 1917 |
| Error Mean Square | 0.25097 | 0.25141 | 0.25056 |
| R-Square | 0.0219 | 0.0085 | 0.0109 |
| Mean of Dependent Variable | 0.51107 | 0.50748 | 0.50849 |
| F-Statistic | 0.866 | 0.620 | 0.844 |
| P-Value of F-Statistic[b] | 0.655 | 0.913 | 0.687 |

(continued)

TABLE D.1 (continued)

SOURCE: MDRC calculations from New Jersey AFDC and Unemployment Insurance earnings records.

NOTES: The dependent variable in each regression equalled 1 for experimentals and 0 for controls. Each independent variable was measured in standard deviation units. Standard errors of coefficients are indicated with parentheses.

A two-tailed t-test was applied to each coefficent estimate. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Characteristics that had no variation in a subsample were omitted from regressions for that subsample.

[b]The p-value of the F-statistic is the probability of obtaining these coefficients, if the true chance of becoming an experimental did not vary with any characteristic. Thus, the closer the p-value is to unity, the more successful was random assignment in equating characteristics of experimentals and controls.

TABLE D.2

NEW JERSEY

ESTIMATED REGRESSION COEFFICIENTS FOR SELECTED MEASURES OF EARNINGS AND AFDC

| Regressor | Dependent Variables | | | |
|---|---|---|---|---|
| | Early Sample Total Earnings, Quarters 5 - 7 | Early Sample AFDC Income, Quarters 5 - 8 | Short-Term Sample Total Earnings, Quarters 1 - 4 | Short-Term Sample AFDC Income, Quarters 1 - 4 |
| Constant | 3159.10*** | 2183.57*** | 2865.78*** | 3369.28*** |
| | (176.53) | (86.72) | (145.54) | (48.32) |
| Experimental Status | 468.32* | -237.63* | 634.28*** | -264.77*** |
| | (248.26) | (121.97) | (204.74) | (67.98) |
| Region | | | | |
| Atlantic | 47.30 | 279.96 | -806.90* | 301.42** |
| | (522.11) | (256.50) | (436.88) | (145.05) |
| Burlington | -1220.24** | 250.16 | -299.14 | -358.24** |
| | (529.69) | (260.22) | (448.02) | (148.75) |
| Camden | -1411.28*** | 688.97*** | -342.68 | -25.96 |
| | (500.79) | (246.02) | (369.65) | (122.73) |
| Essex | -1850.75*** | 712.23*** | -519.65 | 279.53** |
| | (489.94) | (240.69) | (372.00) | (123.51) |
| Hudson | -1170.47* | 299.18 | 185.98 | -272.75** |
| | (600.26) | (294.84) | (365.92) | (121.49) |
| Mercer | -- | -- | -- | -- |
| Middlesex | 368.74 | -467.79 | 484.03 | -285.67 |
| | (909.40) | (446.76) | (546.53) | (181.46) |
| Monmouth | -704.25 | 57.05 | 42.61 | -94.79 |
| | (486.50) | (239.00) | (392.08) | (130.17) |
| Passaic | -1477.30*** | 325.38 | 143.35 | -218.70 |
| | (566.97) | (278.54) | (413.25) | (137.20) |

(continued)

TABLE D.2 (continued)

| Regressor | Dependent Variables: Early Sample Total Earnings, Quarters 5 - 7 | Early Sample AFDC Income, Quarters 5 - 8 | Short-Term Sample Total Earnings, Quarters 1 - 4 | Short-Term Sample AFDC Income, Quarters 1 - 4 |
|---|---|---|---|---|
| Age | | | | |
| 24 Years or Less | -451.91<br>(443.95) | 195.58<br>(218.10) | -273.37<br>(386.87) | 48.89<br>(128.45) |
| 25 to 29 Years | -- | -- | -- | -- |
| 30 Years or More | 627.05**<br>(308.96) | -234.45<br>(151.78) | -68.86<br>(250.06) | -83.90<br>(83.02) |
| Number of Children | | | | |
| One | 365.59<br>(309.16) | -579.36***<br>(151.88) | 109.79<br>(247.80) | -635.44***<br>(82.27) |
| Two | -- | -- | -- | -- |
| Three or More | 514.77<br>(339.31) | 11.02<br>(166.69) | 99.57<br>(270.57) | 757.35***<br>(89.83) |
| Received AFDC for More than Eight Quarters prior to Random Assignment | 5.40<br>(309.22) | -86.30<br>(151.91) | -432.21*<br>(256.23) | 232.17***<br>(85.07) |
| Total AFDC Received during Four Quarters prior to Random Assignment | -0.20**<br>(0.09) | 0.27***<br>(0.05) | -0.03<br>(0.04) | 0.09***<br>(0.01) |
| Earned Zero Dollars during Four Quarters prior to Random Assignment | -122.97<br>(317.74) | 169.97<br>(156.09) | -52.54<br>(286.18) | 51.48<br>(95.01) |
| Earnings Greater than $1000 during Four Quarters prior to Random Assignment | -122.79<br>(429.00) | 356.16*<br>(210.76) | 269.42<br>(360.79) | -257.11**<br>(119.79) |

(continued)

TABLE D.2 (continued)

| Regressor | Dependent Variables | | | |
|---|---|---|---|---|
| | Early Sample Total Earnings, Quarters 5 - 7 | Early Sample AFDC Income, Quarters 5 - 8 | Short-Term Sample Total Earnings, Quarters 1 - 4 | Short-Term Sample AFDC Income, Quarters 1 - 4 |
| Not WIN Mandatory | 1324.48*** | -355.49** | 589.65* | -89.72 |
| | (362.20) | (177.94) | (324.95) | (107.89) |
| Owns a Car | 1042.96*** | -507.64*** | 1361.41*** | -149.74 |
| | (348.37) | (171.15) | (302.49) | (100.43) |
| No High School Degree | -415.04 | 263.53** | -1086.41*** | 144.16** |
| | (256.32) | (125.92) | (212.25) | (70.47) |
| Never Married | 337.89 | 323.14** | -710.19*** | 73.66 |
| | (291.19) | (143.05) | (243.08) | (80.71) |
| Black | -469.67 | 286.79* | 392.51 | 99.91 |
| | (299.23) | (147.01) | (253.08) | (84.03) |
| Male | 1546.68** | -362.88 | 889.06 | 175.09 |
| | (634.92) | (311.92) | (556.06) | (184.62) |
| Randomly Assigned between | | | | |
| October 1984 and December 1984 | 286.72 | -120.65 | --[a] | --[a] |
| | (434.61) | (213.51) | | |
| January 1985 and March 1985 | -224.82 | -25.97 | --[a] | --[a] |
| | (364.65) | (179.14) | | |
| April 1985 and June 1985 | -241.49 | 71.69 | --[a] | --[a] |
| | (339.14) | (166.61) | | |
| Number of Observations | 994 | 994 | 1604 | 1604 |
| Number of Experimentals | 508 | 508 | 814 | 814 |
| Number of Controls | 486 | 486 | 790 | 790 |

(continued)

TABLE D.2 (continued)

| Regressor | Dependent Variables | | | |
|---|---|---|---|---|
| | Early Sample Total Earnings, Quarters 5 - 7 | Early Sample AFDC Income, Quarters 5 - 8 | Short-Term Sample Total Earnings, Quarters 1 - 4 | Short-Term Sample AFDC Income, Quarters 1 - 4 |
| Degrees of Freedom for Error | 967 | 967 | 1580 | 1580 |
| Error Mean Square | 14973831.34 | 3613888.78 | 16661311.13 | 1836618.49 |
| R-Square | 0.0917 | 0.1667 | 0.0701 | 0.2542 |
| Mean of Dependent Variable | 3398.45 | 2062.12 | 3187.67 | 3234.91 |

SOURCE: MDRC calculations from New Jersey AFDC and Unemployment Insurance earnings records.

NOTES: Ordinary least squares regression coefficients in this table correspond to impact estimates presented in Tables 4.6, 4.8, 4.2, and 4.3. An analysis of covariance procedure was used to control for differences in characteristics before random assignment. See Ostle (1975, p. 461). Standard errors of coefficients are indicated with parentheses.

These calculations include sample members not employed and sample members not receiving AFDC.

A two-tailed t-test was applied to each coefficent estimate. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

[a]Characteristics that had no variation in a subsample were omitted from regressions for that subsample.

TABLE D.3

NEW JERSEY

COMPARISON OF TOTAL EMPLOYMENT AND OJT EMPLOYMENT OF EXPERIMENTALS
(SHORT-TERM IMPACT SAMPLE)

| Follow-Up Period | All Employed Experimentals | | Experimentals Employed in an OJT Position | | Experimentals Employed in an OJT Position as a Percent of All Employed Experimentals |
|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | |
| Quarters 1-4 | 672 | 82.6 | 366 | 45.0 | 54.5 |
| Quarters 2-4 | 620 | 76.2 | 260 | 31.9 | 41.9 |
| Quarter of Random Assignment | 455 | 55.9 | 275 | 33.8 | 60.4 |
| Quarter 2 | 506 | 62.2 | 229 | 28.1 | 45.2 |
| Quarter 3 | 454 | 55.8 | 98 | 12.0 | 21.6 |
| Quarter 4 | 456 | 56.0 | 45 | 5.5 | 9.9 |
| Sample Size | 814 | 100.0 | 369 | 45.3 | |

SOURCE: MDRC calculations from New Jersey WIN Grant Diversion Project On Board Summary Reports.

NOTES: 369 of the 814 experimentals randomly assigned between April 1985 and June 1986 were employed in at least one OJT position.

The employment rates for All Employed Experimentals are not regression-adjusted. They, therefore, differ slightly from the regression-adjusted employment rates displayed in Table 4.2.

TABLE D.4

NEW JERSEY

IMPACTS ON QUARTER OF INITIAL EMPLOYMENT AFTER RANDOM ASSIGNMENT
(SHORT-TERM IMPACT SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| First Employed during Quarters 1 - 4 | 82.1% | 74.7% | 7.4%*** | 0.000 |
| First Employed during | | | | |
| Quarter of Random Assignment | 55.4 | 40.1 | 15.3*** | 0.000 |
| Quarter 2 | 17.2 | 18.1 | -0.9 | 0.652 |
| Quarter 3 | 5.5 | 10.0 | -4.4*** | 0.001 |
| Quarter 4 | 4.0 | 6.5 | -2.6** | 0.021 |
| Sample Size | 814 | 790 | | |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

TABLE D.5

NEW JERSEY

EMPLOYMENT AND EARNINGS OUTCOMES AMONG EMPLOYED SAMPLE MEMBERS
(SHORT-TERM IMPACT SAMPLE)

| Outcome and Follow-Up Period | Experimentals | Controls | Difference | p |
|---|---|---|---|---|
| Average Number of Quarters with Employment, Quarters 1 - 4 | 2.79 | 2.57 | 0.21*** | 0.001 |
| Average Total Earnings, Quarters 1 - 4 ($) | 4271.08 | 3827.39 | 443.69* | 0.066 |
| Average Earnings ($) | | | | |
| Quarter of Random Assignment | 862.73 | 890.20 | -27.47 | 0.730 |
| Quarter 2 | 1479.63 | 1438.99 | 40.84 | 0.642 |
| Quarter 3 | 1822.11 | 1707.06 | 115.05 | 0.229 |
| Quarter 4 | 1964.77 | 1770.08 | 194.68** | 0.046 |
| Sample Size, Quarters 1 - 4 | 672 | 586 | | |
| Quarter 1 | 455 | 312 | | |
| Quarter 2 | 506 | 382 | | |
| Quarter 3 | 454 | 398 | | |
| Quarter 4 | 456 | 419 | | |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: Sample members were excluded from calculations for periods during which they had no earnings.

Experimental and control group averages are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members (see Appendix Table D.2). There may be discrepancies in sums and differences due to rounding.

A two-tailed t-test was applied to each difference between experimental and control groups. The column labeled "p" is the statistical significance level of the difference between experimental and control averages. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

TABLE D.6

NEW JERSEY

DISAGGREGATION OF CUMULATIVE EARNINGS IMPACT,
QUARTERS ONE THROUGH FOUR
(SHORT-TERM IMPACT SAMPLE)

| Proportion of Impact due to Difference in Cumulative Employment Rates | Proportion of Impact due to Difference in Number of Quarters with Employment | Proportion of Impact due to Difference in Average Earnings per Employed Quarter[a] |
|---|---|---|
| 53.5% | 38.4% | 8.1% |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: The cumulative earnings impact disaggregated here was presented in Table 4.2. The method for this disaggregation is explained in Auspos, Cave and Long (1988, Appendix D).

[a]Differences in Average Earnings per Employed Quarter may result from higher hourly wages, more hours worked per week or more weeks worked per quarter. MDRC lacked data to disaggregate earnings further.

TABLE D.7

NEW JERSEY

DISAGGREGATION OF CUMULATIVE EARNINGS IMPACT,
QUARTERS FIVE THROUGH SEVEN
(EARLY SAMPLE)

| Proportion of Impact due to Difference in Cumulative Employment Rates | Proportion of Impact due to Difference in Number of Quarters with Employment | Proportion of Impact due to Difference in Average Earnings[a] per Employed Quarter |
|---|---|---|
| 21.1% | -23.7% | 102.6% |

SOURCE: MDRC calculations from New Jersey Unemployment Insurance earnings records.

NOTES: The cumulative earnings impact disaggregated here was presented in Table 4.6. The method for this disaggregation is explained in Auspos, Cave and Long (1988, Appendix D).

[a]Differences in Average Earnings per Employed Quarter may result from higher hourly wages, more hours worked per week or more weeks worked per quarter. MDRC lacked data to disaggregate earnings further.

APPENDIX E

TABLE E.1

NEW JERSEY

FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (EARLY SAMPLE)

| Component of Analysis and Perspective | Estimate |
|---|---|
| Welfare Recipients | |
| Gains | |
| Earnings and Fringe Benefits | |
| OJT Employment | $779 |
| Unsubsidized Employment | 221 |
| Losses | |
| Income, Sales and Payroll Taxes | -143 |
| AFDC Payments | -485 |
| Other Transfer Payments | -42 |
| WIN Allowances and Support Services | -21 |
| Net Present Value[a] | 309 |
| Government Budgets | |
| Gains | |
| Payroll Taxes | $140 |
| Income and Sales Taxes | 79 |
| AFDC Payments | 485 |
| Other Transfer Payments | 42 |
| Transfer Program Administration | 27 |
| Other WIN Operating Costs | 39 |
| WIN Allowances and Support Services | 21 |
| Losses | |
| OJT Wage Subsidies | -348 |
| OJT Operating Costs | -500 |
| JTPA Operating Costs | -73 |
| Net Present Value[a] | -86 |

SOURCE: See Tables 5.1, 5.2, and 5.4.

NOTES: All benefits and costs are estimated for a five-year time period beginning at random assignment and are expressed in 1986 dollars. Because of rounding, detail may not sum to totals.

[a]The net present value is the sum of all gains and losses.

TABLE E.2

NEW JERSEY

ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (LATER SAMPLE)

| Benefit Variable | Observation Period[a] | | Projection Period | | Five Year Total |
|---|---|---|---|---|---|
| | Common Follow-up | Additional Follow-up | Projection Base[b] | Projected Amount[c] | (Observed Plus Projected) |
| Earnings and Fringe Benefits | | | | | |
| OJT Employment | $812 | $39 | $0 | $0 | $851 |
| Unsubsidized Employment | -96 | 239 | 238 | 1654 to 3166 | 1797 to 3309 |
| Payroll Taxes | 54 | 21 | 17 | 122 to 232 | 197 to 307 |
| Income and Sales Taxes | 38 | 23 | 16 | 111 to 219 | 173 to 281 |
| AFDC Payments | | | | | |
| Regular | -442 | -66 | -51 | -315 to -626 | -823 to -1134 |
| Diverted | 420 | 20 | 0 | 0 | 441 |
| Other Transfer Payments | -105 | -50 | -62 | -432 to -855 | -587 to -1010 |
| Transfer Program Administration | -24 | - 9 | -12 | -79 to -160 | -112 to -193 |

SOURCE: See Tables 5.1 and 5.2.

NOTES: Because of rounding, detail may not sum to totals.

[a]Based on available follow-up data.

[b]The projection base period is a quarterly average of the last two quarters of available follow-up. Program effects observed during this base period are multiplied by a projection factor to estimate benefits from the end of the observation period to five years from the point of random assignment.

[c]The first number of each range assumes a straight line decay of impacts to $0 by the end of the five-year period; the second number assumes that the most recent program effects continue for each remaining quarter of the five-year period.

TABLE E.3

NEW JERSEY

FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (LATER SAMPLE)

| Component of Analysis and Perspective | Estimate |
|---|---|
| Welfare Recipients | |
| Gains | |
| Earnings and Fringe Benefits | |
| OJT Employment | $851 |
| Unsubsidized Employment | 143 |
| Losses | |
| Income, Sales and Payroll Taxes | -124 |
| AFDC Payments | -508 |
| Other Transfer Payments | -155 |
| WIN Allowances and Support Services | -21 |
| Net Present Value[a] | 185 |
| Government Budgets | |
| Gains | |
| Payroll Taxes | $138 |
| Income and Sales Taxes | 62 |
| AFDC Payments | 508 |
| Other Transfer Payments | 155 |
| Transfer Program Administration | 93 |
| Other WIN Operating Costs | 43 |
| WIN Allowances and Support Services | 21 |
| JTPA Operating Costs | 13 |
| Losses | |
| OJT Wage Subsidies | -380 |
| OJT Operating Costs | -546 |
| Net Present Value[a] | 48 |

SOURCE: See Tables 5.1, 5.2, and 5.4.

NOTES: All benefits and costs are estimated for a five-year time period beginning at random assignment and are expressed in 1986 dollars. Because of rounding, detail may not sum to totals.

[a]The net present value is the sum of all gains and losses.

TABLE E.4

NEW JERSEY

ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS, BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE (LATER SAMPLE)

| Component of Analysis | Accounting Perspectives | | | |
|---|---|---|---|---|
| | Welfare Sample | Budget | Taxpayer | Society |
| Earnings | | | | |
| OJT Employment | $759 | $0 | $-759 | $0 |
| Unsubsidized Employment | 1603 to 2951 | 0 | -1603 to -2951 | 0 |
| Fringe Benefits | | | | |
| OJT Employment | 92 | 0 | -92 | 0 |
| Unsubsidized Employment | 194 to 357 | 0 | -194 to -357 | 0 |
| Output Produced by Participants | | | | |
| Work Experience | 0 | 0 | -38 | -38 |
| OJT Employment | 0 | 0 | 916 | 916 |
| Unsubsidized Employment | 0 | 0 | 1934 to 3561 | 1934 to 3561 |
| Tax Payments | | | | |
| Payroll Taxes | -164 to -255 | 360 to 563 | 164 to 255 | 0 |
| Income and Sales Taxes | -173 to -281 | 173 to 281 | 173 to 281 | 0 |
| Transfer Programs | | | | |
| AFDC Payments | -823 to -1134 | 823 to 1134 | 823 to 1134 | 0 |
| Other Transfer Payments | -587 to -1010 | 587 to 1010 | 587 to 1010 | 0 |
| Transfer Program Administration | 0 | 112 to 193 | 112 to 193 | 112 to 193 |
| OJT Wage Subsidies | 0 | -380 | 0 | 0 |
| OJT Operating Costs | 0 | -546 | -546 | -546 |
| Other WIN Operating Costs | 0 | 43 | 43 | 43 |
| WIN Allowances and Support Services | -21 | 21 | 21 | 0 |
| JTPA Operating Costs | 0 | 13 | 13 | 13 |
| Net Supervision Costs | 0 | 0 | - | - |
| Preference for Work Over Welfare[a] | + | 0 | + | + |
| Forgone Personal and Family Activities[a] | - | 0 | 0 | - |
| Net Present Value[b] | 881 to 1459 | 1207 to 2332 | 1554 to 2684 | 2435 to 4142 |

SOURCES: See Tables 5.1, 5.2 and 5.4.

NOTES: See Table 5.5.

[a]These are intangible effects not measured in this analysis.

[b]The net present value is the sum of all gains and losses.

TABLE E.5

NEW JERSEY

ESTIMATED BENEFITS DURING THE OBSERVATION PERIOD, PROJECTION PERIOD, AND OVER FIVE YEARS AFTER RANDOM ASSIGNMENT, PER EXPERIMENTAL (FULL SAMPLE)

| Benefit Variable | Observation Period[a] | | Projection Period | | Five Year Total |
|---|---|---|---|---|---|
| | Common Follow-up | Additional Follow-up | Projection Base[b] | Projected Amount[c] | (Observed Plus Projected) |
| Earnings and Fringe Benefits | | | | | |
| OJT Employment | $760 | $54 | $0 | $0 | $814 |
| Unsubsidized Employment | -245 | 376 | 233 | 1444 to 2851 | 1575 to 2982 |
| Payroll Taxes | 39 | 33 | 17 | 108 to 213 | 180 to 285 |
| Income and Sales Taxes | 17 | 48 | 21 | 131 to 266 | 196 to 330 |
| AFDC Payments | | | | | |
| Regular | -348 | -130 | -46 | -247 to -505 | -724 to -983 |
| Diverted | 369 | 26 | 0 | 0 | 395 |
| Other Transfer Payments | -42 | -51 | -46 | -284 to -605 | -376 to -697 |
| Transfer Program Administration | -5 | -21 | -11 | -62 to -129 | -88 to -155 |

SOURCE: See Tables 5.1 and 5.2.

NOTES: Because of rounding, detail may not sum to totals.

[a]Based on available follow-up data.

[b]The projection base period is a quarterly average of the last two quarters of available follow-up. Program effects observed during this base period are multiplied by a projection factor to estimate benefits from the end of the observation period to five years from the point of random assignment.

[c]The first number of each range assumes a straight line decay of impacts to $0 by the end of the five-year period; the second number assumes that the most recent program effects continue for each remaining quarter of the five-year period.

TABLE E.6

NEW JERSEY

FROM THE PERSPECTIVES OF WELFARE RECIPIENTS AND GOVERNMENT BUDGETS: ESTIMATED GAINS AND LOSSES PER EXPERIMENTAL OVER FIVE YEARS, ASSUMING NO FURTHER BENEFITS OR COSTS AFTER THE OBSERVATION PERIOD (FULL SAMPLE)

| Component of Analysis and Perspective | Estimate |
|---|---|
| Welfare Recipients | |
| Gains | |
| Earnings and Fringe Benefits | |
| OJT Employment | $814 |
| Unsubsidized Employment | 131 |
| Losses | |
| Income, Sales and Payroll Taxes | -124 |
| AFDC Payments | -478 |
| Other Transfer Payments | -93 |
| WIN Allowances and Support Services | -21 |
| Net Present Value[a] | 229 |
| Government Budgets | |
| Gains | |
| Payroll Taxes | $132 |
| Income and Sales Taxes | 64 |
| AFDC Payments | 478 |
| Other Transfer Payments | 93 |
| Transfer Program Administration | 26 |
| Other WIN Operating Costs | 41 |
| WIN Allowances and Support Services | 21 |
| Losses | |
| OJT Wage Subsidies | -363 |
| OJT Operating Costs | -522 |
| JTPA Operating Costs | -31 |
| Net Present Value[a] | -62 |

SOURCE: See Tables 5.1, 5.2, and 5.4.

NOTES: All benefits and costs are estimated for a five-year time period beginning at random assignment and are expressed in 1986 dollars. Because of rounding, detail may not sum to totals.

[a]The net present value is the sum of all gains and losses.

TABLE E.7

NEW JERSEY

ESTIMATED BENEFITS AND COSTS PER EXPERIMENTAL OVER FIVE YEARS,
BY RESEARCH GROUP AND ACCOUNTING PERSPECTIVE
(FULL SAMPLE)

| Component of Analysis | Accounting Perspectives | | | |
|---|---|---|---|---|
| | Welfare Sample | Budget | Taxpayer | Society |
| Earnings | | | | |
| OJT Employment | $726 | $0 | $-726 | $0 |
| Unsubsidized Employment | 1405 to 2660 | 0 | -1405 to -2660 | 0 |
| Fringe Benefits | | | | |
| OJT Employment | 88 | 0 | -88 | 0 |
| Unsubsidized Employment | 170 to 322 | 0 | -170 to -322 | 0 |
| Output Produced by Participants | | | | |
| Work Experience | 0 | 0 | -23 | -23 |
| OJT Employment | 0 | 0 | 876 | 876 |
| Unsubsidized Employment | 0 | 0 | 1695 to 3209 | 1695 to 3209 |
| Tax Payments | | | | |
| Payroll Taxes | -150 to -237 | 330 to 522 | 150 to 237 | 0 |
| Income and Sales Taxes | -196 to -330 | 196 to 330 | 196 to 330 | 0 |
| Transfer Programs | | | | |
| AFDC Payments | -724 to -983 | 724 to 983 | 724 to 983 | 0 |
| Other Transfer Payments | -376 to -697 | 376 to 697 | 376 to 697 | 0 |
| Transfer Program Administration | 0 | 88 to 155 | 88 to 155 | 88 to 155 |
| OJT Wage Subsidies | 0 | -363 | 0 | 0 |
| OJT Operating Costs | 0 | -522 | -522 | -522 |
| Other WIN Operating Costs | 0 | 41 | 41 | 41 |
| WIN Allowances and Support Services | -21 | 21 | 21 | 0 |
| JTPA Operating Costs | 0 | -31 | -31 | -31 |
| Net Supervision Costs | 0 | 0 | - | - |
| Preference for Work Over Welfare[a] | + | 0 | + | + |
| Forgone Personal and Family Activities[a] | - | 0 | 0 | - |
| Net Present Value[b] | 921 to 1527 | 859 to 1832 | 1202 to 2178 | 2124 to 3705 |

SOURCES: See Tables 5.1, 5.2 and 5.4.

NOTES: See Table 5.5.

[a]These are intangible effects not measured in this analysis.

[b]The net present value is the sum of all gains and losses.

FOOTNOTES

## CHAPTER I

1. Grant diversion can be used to fund different types of programs, and funding sources other than AFDC can be used. For example, Supported Work, a federally funded demonstration that provided paid work experience jobs to AFDC recipients and other disadvantaged groups, also used grant diversion in some sites, including Newark, New Jersey. Other programs funded wholly or in part through grant diversion include an OJT program for recipients of Home Relief in New York State and programs serving recipients of Aid to the Disabled (the predecessor of Supplemental Security Income). See Hollister et al., 1984; Shapiro, 1978; and Bangser et al., 1986.

2. See Bangser et al., 1986, for the history of the six-state grant diversion project; and Auspos et al., 1988, for an evaluation of Maine's OJT demonstration.

3. New Jersey estimated it would spend $800,000 per year in diverted welfare grants to finance wage subsidies and another $250,000 a year for administration and evaluation research. The federal grant covered less than half of the cost of administering the program.

4. Camden County, which is also studied in this report, has an unemployment rate lower than the state average, although most of the welfare population lives in the economically worse off city of Camden.

5. If the program placed a low percentage of members of the pool in OJT positions, or if members of the pool had long waits before employment in an OJT position, short-term employment and earnings gains may not occur.

6. See pp. 157-93, Barnow, 1987; Ketron, Inc., 1980. By comparison, in the New Jersey experimental design, all sample members were sufficiently interested in the program to apply for admission, and all were judged by job developers to be appropriate candidates for OJT employment.

7. See Auspos et al., 1988.

8. Burtless, 1984.

1. Initially, some counties sent letters to recipients announcing the availability of OJT. However, these recipients still had to go through orientation/appraisal before applying for the OJT program.

2. See Bane and Ellwood, 1983, for example.

3. Random assignment took place within the individual county offices. The sample members in each county therefore had a 50 percent chance of becoming either an experimental or control.

4. Calculations from WIN aggregate data based on New Jersey ESARS (FY 1985).

5. A few pieces of demographic information were missing for 20 sample members. For the impact analysis, the modal values for similar sample members (that is, enrollees with the same WIN status within the same region) were substituted for these missing observations.

6. The reliance on administrative records to measure outcomes offers many advantages as well as some limitations. Since research based on administrative records replaces ongoing contact with sample members, it is a less expensive way to collect follow-up data and results in fewer missing observations in the later follow-up periods. Administrative records also do not depend on the ability of individuals to recall precise but important information, such as dates, earnings, or the length of enrollment in program activities. However, administrative records are limited in the types of outcomes that they measure. Issues of quality and completeness will be addressed within the discussion of each source.

7. Calendar quarters are three-month groups beginning with January of each year. Quarter one is January, February, and March; quarter two is April, May, and June; quarter three is July, August, and September; and quarter four is October, November, and December.

8. First, employment data reported by the state UI system were compared with self-reported employment prior to random assignment from the CIS for sample members randomly assigned from April to June 1986. They were the only sample members who had UI data available for the prior year. About 10 percent of the sample members who reported having earnings in the year prior

to random assignment did not have UI-reported earnings during this same time. This figure was comparable to the percentages calculated from the same comparison in other states in MDRC's Demonstration of State Work/Welfare Initiatives. Second, job placement data from the ESARS tracking system was compared with UI-reported employment. Thirteen percent of sample members who were randomly assigned in the last month of a calendar quarter and placed within 12 months after random assignment did not have earnings reported to the UI system in the second through third quarters after random assignment.

9. Early data were collected from Central Operations for Data Exchange and Services (CODES). FAMIS replaced CODES in January 1987.

10. The aggregation of monthly AFDC payments into calendar quarter amounts is unlike the measures used in other states, except for Maine, in MDRC's Demonstration of State Work/Welfare Initiatives. In other studies, the AFDC monthly grants were summed into three-month totals starting with the month of random assignment.

11. Automated payment systems are not generally intended to record all payments actually made to welfare recipients. There were occasions when checks were hand-written to clients. It was therefore necessary to determine whether the automated research data were sufficiently complete to estimate program impacts. Quality checking revealed a high rate of accuracy. The county-specific case number system, however, caused some people to be lost in the system when they moved.

    The automated data received by MDRC for 172 cases were compared with the casefiles for these cases. A total of 4,104 months of data were checked. In 94.1 percent of these months of data, the payment on the MDRC analysis file matched the casefile records.

12. Telephone calls to WIN staff have confirmed that these data represent actual participation in activities, not assignment.

13. Community college records were not available, but JTPA administers many community college activities and records them in its tracking system.

## CHAPTER III

1. Data from ESARS and CIS.

2. Data from WIN Grant Diversion On Board Summary Reports; WIN Grant Diversion Monthly Report (June 1987); ES/WIN Grant Diversion Monthly Reports (February 1987 to June 1988). The number of OJT jobs reported in the chapter is for members of the research sample. However, between July 1986 and June 1987, 224 individuals not in the research were employed in OJT jobs. These include 28 experimentals randomly assigned between July and September 1986, who were excluded from the research because of lack of follow-up, and 196 individuals who enrolled in the program after September 30, 1986, the end of random assignment. (New Jersey does not record the number of enrollees who did not find an OJT job.) In the 12 months following the end of the demonstration (June 1987), 191 new OJT jobs were created. Fifty-five welfare recipients who enrolled in the program during its pilot phase in the spring and summer of 1984 also worked in OJT jobs. These too are not included in the analysis.

3. Data on the average starting wage, the percentage of experimentals who completed their trial employment, and the percentage of experimentals who were retained as unsubsidized employees were obtained from WIN Grant Diversion Monthly Report (June 1987) and include the 28 OJT employees randomly assigned between July and September 1986 who are not included in the research.

4. The wait was probably longer. For about a third of the experimental group, the first day of an OJT job fell within a week of random assignment. In some cases it appears that job developers called in the client's name for random assignment only after finding a likely OJT position for her.

5. The average length of stay in an OJT job uses the start and stop dates recorded in WIN Grant Diversion On Board Summary Reports. The measure includes OJT jobs that were terminated by enrollees or their employers prior to the end of the OJT contract period. The average duration of OJT contracts was about four weeks longer, according to a New Jersey DOL memorandum dated August 14, 1987.

6. From WIN Grant Diversion Monthly Report (June 1987) and planning documents from New Jersey DHS and DOL made available to MDRC.

7. Ibid.

8. From New Jersey DOL, Welfare/WIN Grant Diversion Financial Reports (October 1985-September 1986); Employment Security Division, Status of Obligation Authority, WIN Demonstration Reports and WIN Grant Diversion Reports (September 1986); and planning documents for the demonstration made available to MDRC.

9. A job developer in a second of these four counties stated that she spent about 10 percent of her time performing similar duties.

10. The seventh job developer stated that she spent about 85 percent of her time on the project. An eighth job developer simply answered "no" when asked if he worked full-time on the project. In Maine, OJT job developers also functioned as job placement specialists for the JTPA system.

11. By contrast, in Maine's TOPS program, most enrollees carried out their own job search.

12. In two counties, job developers stated that there was no typical size for an OJT employer.

13. A more complex situation is captured by the difference in placement rates for WIN volunteers and mandatories. Among the early sample, 50.5 percent of WIN volunteers were placed in OJT positions, compared to 38.6 percent of the WIN mandatory group. Here too, the difference in placement rates grows smaller when the full sample is considered, indicating that job developers found OJTs for a higher percentage of the WIN mandatory group randomly assigned after October 1985. WIN volunteers tended to be younger and better educated than WIN mandatories -- advantages in the labor market. However, nearly all nonmandatories had children under six years old who needed care and supervision while their mothers worked.

14. However, fewer than ten AFDC-Us have been employed in OJT jobs in the year and a half since they became eligible for OJT employment, according to Sally Hall, who, until recently, served as the New Jersey WIN Coordinator.

15. In Maine's TOPS demonstration, members of the control group were also highly served, although participation rates for controls were somewhat lower than in New Jersey. In Maine, OJT employment also represented only one option among an array of WIN services.

## CHAPTER IV

1. See also the regression results in Appendix Table D.1.

2. Some might suggest that nonparticipants in on-the-job training (who were not placed in subsidized jobs) be excluded from impact analyses. However, such exclusions would expose impacts to possible selection biases, undermining the control group's validity in measuring what would have happened without the program. When nonparticipants are excluded from the experimental group, average measured and unmeasured characteristics of experimentals may no longer be the same as average control group characteristics. See Cave, 1988.

3. The information in the text applies to the April 1985 - June 1986 in-program sample of 1,604, but figures are quite similar for other samples. Of the 207 members of the October 1984 - September 1985 early sample who were placed in subsidized jobs, 91.3 percent were finished with their contracts by quarter four.

4. Were it plausible to assume that the impact of assignment to on-the-job training is not negative but rather zero for those not placed in subsidized jobs, the impact of actual placement could be inferred fairly easily from the impact of assignment. See Appendix E, Auspos et al., 1988, and Cave, 1988.

5. In the technical literature, the method used to calculate each impact and average outcome reported in this chapter is known as one-way linear completely randomized analysis of covariance. Each impact is the difference between two regression-adjusted means, one for experimentals and one for controls. Appendix Table D.2 and its accompanying notes provide more details.

6. That is, if the effect of the program on its target population really were zero, a difference as large as that observed in this sample would occur by chance less than 10 percent of the time in repeated random samples of the same size. Thus, a statistically significant impact leads to generalizations beyond the particular sample drawn for the evaluation to inferences about the effect of the program on its target population. An impact is more likely to be statistically significant the larger the true program effect, the smaller the variance of the outcome, the larger the sample size, the larger the R-square of the impact equation, the more even the sample split between experimentals and controls, the smaller the covariate differences between experimentals and controls,

and the larger the statistical significance level. See Cave, 1987.

7. It should be noted that, as explained in Chapter II, the first quarter is the calendar quarter in which random assignment took place and thus often includes up to three months prior to a sample member being randomly assigned. Because of this data limitation, first quarter outcomes cannot entirely be attributed to the period after random assignment. However, perfectly successful random assignment would make all of the difference in first quarter average outcomes between experimentals and controls attributable to post-assignment program effects.

8. Appendix Table D.3 gives estimates of the number and fraction of the 814 in-program sample experimentals active in on-the-job-training contracts cumulatively and during each quarter. While 45.3 percent were active at some time, the largest fractions ever active in individual quarters were 33.8 percent and 28.1 percent during quarters one and two, respectively. Thus, the peak quarters for employment impacts were synchronized with the peak quarters for on-the-job-training activity.

   Appendix Table D.4 shows that a much higher proportion of experimentals than controls first became employed in quarter one; more controls than experimentals got their first jobs in later quarters. Since experimentals had higher employment rates than controls in the later quarters, they must have kept the jobs they obtained earlier or gotten other jobs.

9. Appendix Table D.5 gives adjusted mean earnings among experimentals and controls who were employed in each period. As explained in Appendix D of Auspos et al., 1988, differences in these adjusted means are not quite the same as impacts because, to the extent the program was effective, employed experimentals may differ in pre-assignment characteristics from employed controls. However, a pattern of differences growing stronger over time seems evident.

10. A cohort analysis showed that this finding apparently resulted from weaker impacts for those assigned during October 1984 through December 1984. Since the short-run sample excludes this group with weaker impacts, full-sample impacts for the first year would probably have been a bit weaker than the results for the short-run sample.

1. For additional information on the use of these procedures in MDRC's evaluation of a job search and work experience program in California, see Long and Knox, 1985. Details on the data and methodology underlying all estimates and all projections in this chapter are available from the authors.

2. The term "taxpayers" refers to everyone in society except members of the welfare sample included in this study. However, it is important to note that all sample members are taxpayers in the literal sense that they pay sales and excise taxes on their purchases; most also pay income and social security taxes at some point.

3. Benefits are calculated as regression-adjusted differences, controlling for a set of demographic characteristics that could affect a person's chances of future employment independently of the effects of program treatments. The independent variables used in the benefit equations are the same ones used in the impact equations.

4. Assuming that the funding for the program remains the same, larger enrollment in an OJT program would spread costs over a larger group, resulting in smaller per-capita costs. However, the percentage of enrollees employed in OJT jobs may drop because staff may not have adequate time and resources to work with the larger group of enrollees. One result could be increased per-capita use of alternative WIN and JTPA services among those waiting to be placed in OJT jobs. Another result may be lower earnings gains and welfare savings.

5. This was done to avoid including earnings and AFDC payments that occurred prior to random assignment and because sample members randomly assigned prior to April 1985 have no data for the first quarter. Since the program produced a first quarter $120 earnings gain for the short-term impact sample, these estimates fall a little below what experimentals actually gained. A second difference is that the benefit-cost analysis expresses all values in 1986 dollars. The impact analysis, on the other hand, uses current values.

   The benefit analysis imputes values for individuals who lack earnings data. Sample members randomly assigned between October and December 1984 lack earnings data for the second quarter following random assignment. Each experimental in this group was credited with $459.43 in earnings for quarter two and each control was credited with $438.50. These values equal one-half of the adjusted means for quarter three for

experimentals and controls in the early sample expressed in 1986 values. In addition, 13 out of the 1,943 individuals in the full research sample did not have earnings data for a quarter in which earnings should have been available. Each individual in this group received the value of earnings for the previous quarter.

6. The value of OJT earnings is estimated at twice the average wage subsidy per experimental, as the OJT program subsidized 50 percent of earnings. See Section IV.A.1 for an explanation of how the average subsidy was estimated. This calculation overestimates the effect of OJT employment because it includes OJT earnings from the first quarter after random assignment.

7. The fringe benefit rate was based on a national survey of firms, reported in U.S. Chamber of Commerce, 1987.

8. See Auspos et al., 1988.

9. See Kemper and Long, 1981; and Long and Knox, 1985.

10. The value of output from work experience jobs is estimated by determining the compensation that employers would have had to pay for other workers to provide the same services. However, lack of data on New Jersey work experience jobs and budgetary constraints prevented an estimate of this value. As a substitute, the analysis estimated the average value of output per day (in 1986 dollars) for work experience employees in other work/welfare demonstrations studied by MDRC that took place in urban settings: Chicago, San Diego, Baltimore, and New York City. (The average value was about $42, including the value of fringe benefits and the the relative productivity of work experience employees compared to that of regular workers in comparable jobs.) MDRC was able to estimate the average number of days in which members of the research sample worked in work experience jobs (22.7), based on TRE records for a subsample of 42 work experience employees. Multiplying average days worked by average value of output per day yields an estimate of the average value of output per work experience participant of $994. Multiplied by the proportion of experimentals and controls who participated in work experience at any time during the follow-up (.073 and .082 respectively), the experimental and control averages were $72.57 and $81.52 and the difference was $8.95.

11. For state and federal income taxes, MDRC estimated the number of exemptions as one plus the number of children under 19 reported on the CIS. If the sample member reported that she was married and living with her spouse, she received an additional exemption. Estimates of New Jersey state income taxes assume that each sample member was a full-time resident

and eligible for income deductions and tax credits for renters. Social Security taxes were estimated as 7.15 percent of earnings, the 1986 rate. UI Compensation Taxes were estimated at 1.4 percent of earnings, based on survey data published in U.S. Chamber of Commerce, 1987. Sales and excise taxes were estimated as 2 percent of combined AFDC and earnings income. This rate accounts for New Jersey's 6 percent sales tax and federal data which suggest that one-third of the expenditures of urban lower-income families is spent on taxable items.

12. Grant diversion calculations were performed from the third month following the start of OJT employment to the second month following the end of the OJT.

13. The per-recipient cost was based on data on Medicaid expenditures for AFDC-C families provided by the New Jersey DHS, Division of Medical Assistance and Health Services, Bureau of Health Statistics and Economics, and published data on average number of AFDC recipients from New Jersey DHS, 1987.

14. Food Stamp computations use 1986 payment regulations and data on Food Stamp receipt published in New Jersey DHS, 1987. According to New Jersey DHS, 92.5 percent of AFDC-C families received Food Stamps during FY 1986. Estimated quarterly values of Food Stamps were therefore multiplied by .925. (This differs from previous MDRC estimates which use a factor of .8, based on a national survey.) Food Stamp regulations allow a standard deduction of $98 per month and an additional deduction for out-of-pocket, work-related expenses such as childcare. To estimate the value of childcare expenses, MDRC calculated the average monthly childcare deduction claimed by members of a randomly selected subsample of 60 experimentals and controls from Monmouth, Hudson, and Mercer Counties during calculation of their monthly AFDC grants. Its value was $51 per quarter. Food Stamp regulations also permit a deduction for medical expenses. To estimate the monthly deduction, MDRC took the monthly average of Medicaid paid out to the sample member ($74 times the number of dependents) and subtracted $35 (as mandated by Food Stamp regulations). A sample member was only credited with this cost if she was not eligible for Medicaid during the month in question. New Jersey allows an additional $25 deduction against the value of AFDC benefits for energy costs. Although Food Stamp regulations allow for an additional deduction for Total Shelter Costs, MDRC had no data with which to estimate this cost. Therefore, this deduction was left out of the calculations. Also left out was the addition to income from UI benefits.

15. Estimates of New Jersey AFDC and Food Stamp administrative costs were derived from "Summary of Financial Transactions, FY 1985-1986," New Jersey DHS, 1987. Estimates of state

expenditures for Medicaid administration were derived from Table 63, "Medicaid Costs for State Admininstration and Training for FY 1986," U.S. DHHS, 1987. Federal administrative costs for each of these transfer programs were based on Executive Office of the President, Office of Management and Budget, 1986. To estimate the experimental-control difference in AFDC administration, MDRC calculated the cost of administering one case in New Jersey for one month: $62.32 in 1986 dollars. To estimate the monthly cost of administering Medicaid in New Jersey, MDRC assumed that the same percentage of Medicaid administrative expenditures was devoted to AFDC-C families as Medicaid payments (25.6 percent). The monthly cost was $4.50 multiplied by the number of case members. The benefit estimates for AFDC and Medicaid administration presented in Table 5.2 are the experimental-control differences in the number of months of eligibility for these programs multiplied by the monthly cost of program administration. The cost of Food Stamp administration was estimated in a similar manner as the cost of AFDC administration, except that it was based on a quarterly administrative cost ($88.69) rather than a monthly cost. Added to each state transfer payment administrative cost was a federal cost, which, due to data limitations, was estimated as a proportion of the experimental-control difference of each transfer payment. These cost factors were: .004 for AFDC admininstration; .005 for Medicaid administration; and .0127 for Food Stamp administration.

Because of retrospective budgeting, grants are calculated and funds transferred to the wage subsidy pools for two months after the end of the contract period. To account for this cost, the analysis credited each OJT employee with eligibility for AFDC for these two months. This procedure did not affect the estimation of AFDC payments.

16. Projecting benefits to the end of five years permits comparisons with other demonstrations evaluated by MDRC.

17. See Masters, 1981; and Friedlander, 1987.

18. A generally accepted range of discount rates is from 3 to 10 percent. (See Kemper et al., 1981.) Because the time period over which impacts are projected is relatively short, the benefit-cost results would not be substantially affected by the choice of a higher of lower discount rate.

19. Evidence for this assertion comes from a set of regression equations using earnings as the dependent variable, dummy variables for OJT employment and for the 59 percent of experimentals who were not employed in an OJT job, and the usual set of covariates. OJT employees showed earnings gains of $905 during the common period but the remaining

experimentals showed a net loss of -$168. For the entire observation period, OJT employees showed a $2200 gain while other experimentals broke even. It should be remembered that OJT employees may differ in background, motivation, and other unmeasured characteristics from other experimentals and from the control group.

20. As discussed below, the value of WIN support service payments enters into the overall estimate of net gains for experimentals.

21. The projection of federal income taxes uses 1988 tax rates.

22. Theoretically, failure to adjust for county differences in the cost of providing WIN services or SDA differences in the cost of delivering JTPA services could bias the cost estimates (so could failure to account for geographic differences in availability of services or local variations in client-caseworker ratios or client-staff relationships). However, regression-adjusted costs are difficult to use when planning services. To test the sensitivity of cost estimates to regression adjustment, MDRC ran a series of OLS regression equations, using service costs as the dependent variables and controlling for the same factors as in the benefit estimates. This procedure changed the total experimental-control difference in service costs by less than $5. Therefore, unadjusted costs are presented here.

23. In calculating unit costs, both research sample members and nonmembers who were participants in a given activity were included.

24. FY 1986 represents a period when the OJT program was running at a "steady state," i.e., when one-time start-up costs had already been paid. The fiscal year for New Jersey JTPA and New Jersey DHS expenditures runs from July to June, while the fiscal for WIN expenditures runs from October to September. Unit costs in current dollars were transformed to 1986 dollars to make them equivalent.

25. ESARS data suggest that few sample members began activities during the second year after random assignment. Therefore, cost estimates probably fall below actual costs by very little.

26. The sources are: New Jersey DOL, Welfare/WIN Grant Diversion Financial Reports (June 1984-March 1987); New Jersey WIN Grant Diversion Project On Board Summary Reports; New Jersey WIN Grant Diversion Project Monthly Reports; and New Jersey Grant Diversion Project, IVA Project, Monthly Reports.

27. The value of wage subsidies in current dollars was $444,367. The 562 OJT placements were funded in part with federal OFA demonstration money. The additional placements during January to June 1987 financed with Title IV-A money are not included.

28. The sources are: New Jersey DOL, Employment Security Division, Status of Obligation Authority, WIN Demonstration Reports; WIN Grant Diversion Reports; Time Distribution Report by District; New Jersey WIN Grant Diversion Project Monthly Reports; and expenditure data supplied by New Jersey DHS. Status of Obligation Reports display expenditures for vacation time and fringe benefits. The Time Distribution Reports do not. In counties where job developers were paid out of the regular WIN budget, expenditures for staff time devoted to the OJT program were taken from the Time Distribution Reports and marked up for the value of vacation time and fringe benefits, based on the proportion of expenditures for these items in the general WIN staff budget for the county. Cost estimates are also marked up for nonstaff costs. The mark-up rate is .1659 and is derived by dividing total state-wide nonstaff costs for New Jersey WIN by total staff costs. The general WIN mark-up rate was used because almost all nonstaff costs for the New Jersey OJT Program were paid out of general WIN funds. The cost of ES/WIN central administration and of New Jersey DHS central administration of the OJT program are included in the cost estimate.

29. The sources are Status of Obligation, WIN Demonstration Reports; Time Distribution Reports; New Jersey DOL, ES/WIN LMMR Statewide Cumulative Counts and Time Distribution Manual; and ESARS. Staff costs for individual activities are marked up for vacation time, fringes, and nonstaff costs as described above.

30. According to the New Jersey DOL, Time Distribution Manual, expenditures for individual job search include staff time supervising individual job search activities, job development contacts (for unsubsidized employment), and referrals to unsubsidized employment. Therefore, sample members with any of these activities recorded on ESARS were credited with the unit cost of individual job search. However, sample members were only credited with one instance even if participation records for more than one of these activities were recorded on ESARS.

31. The sources for estimating costs of administration and enforcement are the same as listed in footnote 29 plus New Jersey DHS, WIN/BEP Expenditures, FFY 1986, Schedules 1 and 2. As described in Chapter III, New Jersey DHS, Bureau of Employment Programs staff perform a variety of functions within the WIN system. However, published expenditure data

were not disaggregated into specific functions. Therefore, all expenditures were included in administration and enforcement. Also included in this estimate are costs of ES/WIN and DHS, BEP central administration.

32. There was no formal exit from the OJT program, other than deregistration from WIN. It is therefore difficult to demarcate when OJT administration costs end and regular WIN administration costs begin. The estimation procedures for each of these costs attempt to divide them in a reasonable way.

33. These deductions probably result in smaller experimental-control differences in welfare savings during the observation period.

    As discussed in Chapter III, OJT employees were eligible for support services during the first year of the program. MDRC did not attempt to measure receipt of support payments by OJT employees during this time; however, discussions with program administrators and examination of automated records of childcare payments for that period suggest that few OJT employees received support payments.

34. Sources used were New Jersey, DOL, Division of Employment and Training, JTPA Expenditures By Title, Program Year 1985 and Enrollments, PY 1985.

35. The total cost of serving experimentals in Maine's TOPS program averaged $2,761. See Auspos et al, 1988.

36. The government budget receives more than the value of payroll taxes displayed in Table 5.3 because both employers and employees pay social security taxes equal to 7.15 percent of earnings. The additional amount represents UI Compensation taxes incurred by employers.

37. In this accounting perspective, the government receives the full benefit of welfare savings (i.e., the diverted grant is not subtracted). The loss represented by diverted grants is covered in the cost of employer subsidies.

38. According to WIN Grant Diversion Project Monthly Report (June 1987) and Grant Diversion Project, IVA Project Monthly Report (June 1988), between October 1986 and June 1988, the program placed 419 enrollees who were not part of the demonstration. Thus the program is averaging about 20 placements per month or 240 per year.

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236

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